S. Hrg. 100-166, Pt. 3

GUARANTEED JOB OPPORTUNITY ACT

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
EMPLOYMENT AND PRODUCTIVITY

OF THE

COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

S. 777

TO GUARANTEE A WORK OPPORTUNITY FOR ALL AMERICANS, AND FOR OTHER PURPOSES

MAY 22, 1987, CHICAGO, IL
JULY 27, 1987, SEATTLE, WA

PART 3

Printed for the use of the Committee on Labor and Human Resources

U.S. GOVERNMENT PRINTING OFFICE
79-265 WASHINGTON : 1987

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

COMMITTEE ON LABOR AND HUMAN RESOURCES

EDWARD M. KENNEDY, Massachusetts, *Chairman*

CLAIBORNE PELL, Rhode Island
HOWARD M. METZENBAUM, Ohio
SPARK M. MATSUNAGA, Hawaii
CHRISTOPHER J. DODD, Connecticut
PAUL SIMON, Illinois
TOM HARKIN, Iowa
BROCK ADAMS, Washington
BARBARA A. MIKULSKI, Maryland

ORRIN G. HATCH, Utah
ROBERT T. STAFFORD, Vermont
DAN QUAYLE, Indiana
STROM THURMOND, South Carolina
LOWELL P. WEICKER, Jr., Connecticut
THAD COCHRAN, Mississippi
GORDON J. HUMPHREY, New Hampshire

Thomas M. Rollins, *Staff Director and Chief Counsel*
Hayden G. Bryan, *Minority Staff Director*

Subcommittee on Employment and Productivity

PAUL SIMON, Illinois, *Chairman*

TOM HARKIN, Iowa
BROCK ADAMS, Washington
BARBARA A. MIKULSKI, Maryland
EDWARD M. KENNEDY, Massachusetts (Ex Officio)

GORDON J. HUMPHREY, New Hampshire
ORRIN G. HATCH, Utah
DAN QUAYLE, Indiana

William A. Blakey, *Counsel*
Charles T. Carroll, Jr., *Minority Counsel*

CONTENTS

STATEMENTS

Friday, May 22, 1987

CHICAGO, IL

Page

- Drennan, Jan, coordinator of services to the unemployed, United Charities of Chicago, prepared statement 30
- Levy, William, community development director, Association House of Chicago, IL 22
- Morris, Willie of the city of Chicago 12
- Roberts, Clark, director of employment counseling and training for the Chicago Urban League, accompanied by Jose Morales, Peter Trigalis, and Anne Ladky 15
- Simon, Hon. Paul, a U.S. Senator from the State of Illinois, prepared statement 3
- Washington, Hon. Harold, mayor of the city of Chicago, IL, accompanied by Maria Cerda, commissioner of the mayor's Office of Employment and Training, Chicago, IL 6

Monday, July 27, 1987

SEATTLE, WA

- Burnett, Ralph, Chehalis, WA; Paul Wysocki, supervisor, Affirmative Action Unit, Seattle Human Rights Department; and John Poling, deputy director, Grant County Community Action 99
  - Prepared statements of:
    - Mr. Burnett (with attachment) 104
    - Mr. Wysocki 126
    - Mr. Poling 132
- Crossland, Ronald J., Ph.D., associate (State) director, State Board for Community College Education, prepared statement 277
- Fitzgerald, Mike, director, Washington State Economic Development Board; Larry Kennedy, president, Washington State Labor Council, AFL-CIO; and the Hon. Max Vekich, member, Washington State House of Representatives 52
  - Prepared statements of:
    - Mr. Fitzgerald 55
    - Mr. Kennedy 65
    - Mr. Vekich 77
- Pettibone, C. Alan, director of agriculture, State of Washington, prepared statement 269
- Probst, Alana, executive director, Oregon Market-Place; Pete Kerwien, area market development manager; Fred Dracobly, president, Willapa Aquaculture Council; Isiah Turner, commissioner, Washington Employment Security Department; and Jamie Lindsay, vice chairman, United Airlines Master Executive Council 219
  - Prepared statements of:
    - Ms. Probst 225
    - Mr. Kerwien 232
    - Mr. Dracobly 240
    - Mr. Turner 249
    - Mr. Lindsay 257

Page
Sawyer, James E., associate professor, Seattle University, prepared statement. 288
Simon, Hon. Paul, a U.S. Senator from the State of Illinois, prepared statement (with attachment) 38
Thorud, David, dean of forestry, College of Forest Resources, accompanied by Prof. Thomas Wagner, forest economist, and Prof. Robert Lee, forest sociologist; Frederick O. Bowen, vice president, Boeing Commercial Aircraft Co.; John Daly, Washington State Department of Agriculture; and Pat Davis, Seattle port commissioner 150
  Prepared statements of:
    Mr. Thorud 152
    Mr. Bowen 179
    Ms. Davis 199
Wineberry, Hon. Jesse, vice chair of the House Trade and Economic Development Committee, Washington State House of Representatives, prepared statement 89

ADDITIONAL MATERIAL

Articles, publications, etc.:
  Farm Finance Survey, from U.S. Department of Agriculture, Washington State Department of Agriculture 263

GUARANTEED JOB OPPORTUNITY ACT

FRIDAY, MAY 22, 1987

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Chicago, IL.

The committee met, pursuant to notice, at 9:30 a.m., in room 2525, at 219 South Dearborn Street, Chicago, IL, Senator Paul Simon (chairman of the subcommittee) presiding.

OPENING STATEMENT OF SENATOR SIMON

Senator SIMON. The Senate committee hearing will come to order.

We are particularly pleased to have as a special guest Mr. Larry Minkoff and his honor's class from Whitney Young High School. We are particularly appreciative of having you here.

Let me just in a moment or two, before we call on the distinguished Mayor of this City, give you just a two-minute description of the legislation that is pending. And I do this for the benefit of the members of this class.

We have in this country two trend lines. One is the demand for unskilled labor is going down. And that trend line isn't going to change and that is why what you are doing in going to school is so important. And the other trend line is the pool of unskilled labor is going up. And that line can change, but it is not going to change quickly or dramatically. Since we are not going to let people starve, we face a choice of paying people for doing nothing or paying people for doing something. Of giving them an opportunity to become an asset to society or a liability, and we ought to give them the chance to be an asset.

I was on a Peoria radio station the other evening and a man called in and said, "I am a college graduate and I am on welfare." Why not take him and have him teach people who don't know how to read and write? And that is how our program basically sets up projects that local people would decide, people designated by the people like the Mayor of Chicago, would determine what should be done. And then you would move on programs in a way very similar to something, if I may say Mayor Washington and I remember but most of the others don't, called the WPA. And this nation was enriched immensely by taking people and giving them the chance to work.

One of the other things we do in this legislation is we screen people as they come in. If they don't know how to read and write we will get them into a program. If they read and write at the third grade level, we will get them into a program. If they can't speak the English language, we will get them into a program. If they have no marketable skills, we will get them into a program, so that we upgrade our people.

When the WPA was a program that ended when World War II came along because there was no need for further employment. We tolerate a level of unemployment that most nations do not tolerate. But under that program, for example, 1½ million Americans learned how to read and write. That probably paid for the program right there. Half the symphony orchestras in this country were started by the WPA. When I was about 11 or 12 years old I read a book by Richard Wright, not as famous as his book "Native Son", but it was a book called "Black Boy". It was one of the most moving experiences of my life. And I grew up in a family that was civil rights conscious, but somehow that really gripped. And it wasn't until a few years ago that I learned that Richard Wright learned to become a writer under a WPA program. How much wealthier this nation is because we had the good sense to turn the liability of unemployment into a national asset half a century ago. And we ought to do the same today and that is what my legislation does.

That is the end of my statement. I have a formal statement I will enter into the record.

[The prepared statement of Senator Simon follows:]

STATEMENT OF UNITED STATES SENATOR PAUL SIMON
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES
FIELD HEARING--MAY 22, 1987
GUARANTEED JOB OPPORTUNITY PROGRAM

I AM PLEASED TODAY TO BE IN CHICAGO TO CHAIR THIS FIELD HEARING OF THE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY OF THE SENATE LABOR AND HUMAN RESOURCES COMMITTEE. I AM HERE TODAY TO DISCUSS AN OPPORTUNITY. AN OPPORTUNITY TO BRING NEW HOPE TO INDIVIDUALS WHO HAVE LOST HOPE; AND TO PROVIDE UNEMPLOYED INDIVIDUALS WITH AN OPPORTUNITY TO MAKE AN IMPORTANT CONTRIBUTION TO OUR COUNTRY.

CHICAGO IS A GREAT CITY. I KNOW THE MAYOR HAS WORKED DILIGENTLY TO MAKE IT AN EVEN BETTER CITY. BUT OUR NATION HAS NOT USED THE RESOURCES OF CHICAGO - LIKE MANY OTHER CITIES - TO THEIR FULLEST. AS LONG AS THERE ARE UNEMPLOYED INDIVIDUALS WHO WOULD LIKE TO WORK OUT THERE, WE CAN DO BETTER. WITH THIS IN MIND, I HAVE INTRODUCED IN THE U.S. SENATE, SENATE BILL 777, THE GUARANTEED JOB OPPORTUNITY PROGRAM. THIS PROGRAM WOULD PROVIDE THE OPPORTUNITY TO WORK FOR THOSE WHO ARE NOT WORKING NOW. IN MARCH, THE UNEMPLOYMENT RATE IN THE CHICAGO METROPOLITAN AREA WAS 7.2% -

DOWN FROM 8% A YEAR AGO. WE HAVE MADE GAINS, AND YET, IN MARCH THERE WERE OVER 200,000 PEOPLE UNEMPLOYED IN THE CHICAGO METROPOLITAN AREA. IMAGINE WHAT WOULD HAPPEN IF WE MOBILIZED THIS FORCE OF 200,000 IN COMMUNITY PROJECTS, TO MAKE CHICAGO AN EVEN BETTER PLACE TO LIVE.

THERE IS SO MUCH THAT COULD BE DONE. MY BILL WOULD GIVE THESE PEOPLE THE OPPORTUNITY TO CONTRIBUTE, AND MAKE US ALL BETTER OFF. IT WILL ALSO PROVIDE AN OPPORTUNITY FOR THOSE WHO QUALIFY FOR THE PROGRAM TO REGAIN THEIR SELF-RESPECT, AND TO EARN A LIVING FOR THEMSELVES AND THEIR FAMILIES.

THERE IS A DEFINITE NEED FOR THIS PROGRAM. LET ME CITE A FEW STATISTICS:

-- THE UNEMPLOYMENT RATE IN 1986 WAS 8.1% FOR ILLINOIS, AND 8.7% FOR THE CHICAGO METROPOLITAN AREA (COOK, DUPAGE, AND MCHENRY COUNTIES), WHICH TRANSLATES INTO 220,000 INDIVIDUALS OUT OF WORK IN THE CHICAGO AREA. THE NUMBER CLIMBS EVEN HIGHER IF YOU CONSIDER THE 'UNDEREMPLOYED' - INDIVIDUALS WHO ARE NOW WORKING PART TIME BECAUSE THEY ARE UNABLE TO FIND FULL TIME WORK.

-- THE UNEMPLOYMENT RATE AMONG BLACK CHICAGOANS WAS 21.8% IN 1986, AMONG HISPANICS 11.1% (VERSUS 5.5% FOR WHITES, 8.7% OVERALL).

-- AMONG INDUSTRY GROUPS, THE CONSTRUCTION INDUSTRY HAD THE HIGHEST RATE OF UNEMPLOYMENT IN ILLINOIS IN 1986 -- 15.3%. IN OTHER WORDS, ONE OF EVERY SEVEN CONSTRUCTION WORKER WAS UNEMPLOYED IN ILLINOIS LAST YEAR.

IF THE GUARANTEED JOB OPPORTUNITY PROGRAM HAD BEEN IMPLEMENTED IN APRIL, AND ALL THE ILLINOIS RESIDENTS WHO HAD RECEIVED UNEMPLOYMENT INSURANCE FOR 5 WEEKS OR MORE JOINED THE PROGRAM, FOR EACH WEEK THEY WORKED, WE WOULD HAVE SAVED $14,769,000 IN UNEMPLOYMENT INSURANCE BENEFITS. WE COULD HAVE BEEN PAYING THESE INDIVIDUALS TO WORK, RATHER THAN PAYING THEM TO DO NOTHING.

NOW, I AM PARTICULARLY PLEASED TO INTRODUCE OUR LEAD WITNESS, THE HONORABLE HAROLD WASHINGTON, MAYOR OF THE CITY OF CHICAGO.

Senator SIMON. We are very, very pleased to have the Mayor of the City of Chicago, a longtime friend, here as our first witness and with him, and I forget Ms. Maria Cerda's official title, but one of the key people in your administration, Mr. Mayor. What is her official title?

Mayor WASHINGTON. Commissioner of the Mayor's Office of Employment and Training.

Senator SIMON. That certainly is the right office to be testifying today. We are very pleased to have you here, Mr. Mayor, and whatever you wish to say we are ready for your wisdom.

STATEMENT OF HON. HAROLD WASHINGTON, MAYOR OF THE CITY OF CHICAGO, IL, ACCOMPANIED BY MARIA CERDA, COMMISSIONER OF THE MAYOR'S OFFICE OF EMPLOYMENT AND TRAINING, CHICAGO, IL

Mayor WASHINGTON. Well, thank you very much, Senator.

I am delighted to be here to testify before your subcommittee of the Senate Labor and Human Resources Committee, the Subcommittee on Employment and Productivity.

I was captivated by your historical lore there, and I was following you very carefully, but don't assume that I am old enough to understand the WPA. But I am just delighted to be here. And as you have pointed out with me this morning is Ms. Maria Cerda, who is our Commissioner on the Mayor's Office of Employment and Training, among other things administering GJOP which is a federal program for the training of youth and displaced workers who are chronically unemployed. I must confess to you in her presence that I am proud of her because she has done a marvelous job over the past four years in taking a few paltry dollars that the Federal Government has seen fit to give to us; and, like the fishes and loaves multiplying almost magnificently, she has done a marvelous job and a good indication of what local government can do if it is given the correct resources to do the job.

I want to thank you for the opportunity to be here this morning, to address my comments concerning your proposed guaranteed job programs, GJOP bill and the employment situation in Chicago. I don't know how you are going to GJOP that into a word. What do you call it? GJOP?

Senator SIMON. It doesn't fit very well. You are a good wordsmith, Mr. Mayor, you come up with a good one.

Mayor WASHINGTON. In my inaugural address and pursuant to my second term two weeks ago, I reiterated what I had stated in this administration's action agenda for the next four years.

We are committed to working toward job development and job opportunities as a means of alleviating the plight of hundreds of thousands of Chicagoans. What we are talking about is a 8.8 percent unemployment rate in Chicago as of February 1987. This is broken down as follows: Black unemployed is 14.3 in Chicago as of that date; Latino unemployment overall is 10.9 percent; White unemployment is 5 percent; Youth, that is 16 to 19 years of age, is 19.8 percent; Black Youth in that same range is 36 percent; Latino Youth is 20.1 percent; and White Youth is 10.2 percent.

All of these figures are horrendous, even the White unemployment rate of 5 percent is unacceptable, particularly in light of last night when you compared so ably unemployment in other countries, such as Japan, Taiwan, Korea, et cetera, and so forth. This is what we are confronting. And Chicago, to a great extent, is much better off than most other cities. These statistics are obviously, totally and completely unconscionable, because they reverberate into various forms of social disorganization, drugs, lost hopes, crime, et cetera, et cetera, broken families.

What we are talking about is that in February 1987 there were 119,724 individuals looking for work in Chicago. Approximately 50 percent of these Chicagoans had been out of work for over four months. Everybody is well aware that this kind of structural and long-term unemployment is a major cause, as I said before, for poverty, crime, poor housing conditions and, obviously, poor health.

The high rate of unemployment also increases the strain of the economic resources of our City. The cost of providing for various needs of the poor and unemployed residents and their families greatly exceeds the cost of providing them with meaningful employment. In Chicago we have worked to implement in the last four years a series of programs and policies that have laid the groundwork for our next four years in our fight to secure decent jobs for all Chicagoans.

We speak of Chicago, but as I am certain as you tour the country and as you will, you will find these figures replicated in every major city and, also, in small cities and in rural America through the entire country.

Through the efforts of our Department of Economic Development and the Mayor's Office of Employment and Training, as well as other development initiative such as our general obligation about issues and our O'Hare redevelopment project, Chicago has enjoyed a modest recovery from the 1981-1983 recession. Chicago's Economic Development Program has three major components: One, a small business development program that nurtures small business growth through access to capital, technical assistance networks and incubators. Two, industrial retention program that keeps firms in Chicago through finance programs, capital investments, and industry problem solving. And, three, major investments in transportation facilities, such as O'Hare Airport expansion, Midway Airport expansion, and our downtown development, the North Loop and its financial district and the major facilities, such as McCormick Place which was expanded to the tune of about 350 some odd millions of dollars.

Through our office of Employment and Training we have, one,coordinated with City Colleges of Chicago for long term and basic skills training for adults; two, expanded basic skills training for youth and adults; three, required vocational skill trainers to include basic skills in curriculum; four, establish special women's initiatives to increase the participation of women in nontraditional careers, such as truck drivers and farming and bridge tending, et cetera, and so forth; five, create a Chicago first hiring program to ensure that Chicagoans get access to jobs created with Chicago tax dollars.

Now, that is not to say that we are provincial to the extreme. It simply says that we want to keep a modicum of representative sample to serve average of the jobs turning over here in Chicago even though we realize we are part of a large country. We are not about to impede in the state commerce, but we must to a certain extent take care of our own.

Five—six, rather, established our hire of the future program with the private sector to develop private sector jobs for economically disadvantaged youth during the summer. This summer we have set a goal of 4,000 jobs through that public/private sector operation. Ms. Maria Cerda, our commissioner here, can talk eloquently on that, but it is initiative of which we are particularly proud.

This City of Chicago convened an education summit to produce specific partnership agreements that would commit to the resources necessary to improve the education employment situation of Chicago's young people. The summit has advanced in the negotiation stage three major proposals. We have a job hiring compact. This proposal is modeled after the Boston Compact in which employers guarantee entry level jobs to qualified high school graduates performing at a specific level.

We have a literacy to jobs ladder. Now this proposal links dropouts and youth with minimal skills and competencies into an education training program that is tied into jobs and support services. And, three, we have a community support proposal which provides mechanisms for parents and the community to become more actively involved in operation of the schools.

But I assure you, Senator, all these efforts are a drop in the bucket without serious cooperation at the federal level. Our position is very clear. We will do for ourselves insofar as it is humanly possible to do for ourselves through partnerships and ingenuity, doggedness, et cetera, et cetera, et cetera. But there comes a time when in confronting this national problem the cities are simply incapable of going any further.

Our action agenda calls for the forming of partnerships as we are doing just that, in order to tackle the unemployment problem. We cannot succeed to repeat without the reestablishment of traditional federal-cities partnership. And I say reestablishment because there is a tradition which is at least 30 to 55 years old.

Let me comment then on the Guaranteed Job Opportunity Program bill which you are exposing so well. I am pleased to say that that bill is the step in the right direction by the Federal Government. Given the general stagnation of the national economy in regard to generating adequate employment opportunities, and given the threat of recession posed recently in key economic indicators, such as increased inflation, the bill guaranteeing employment through the combination of training and publicly financed jobs is critically needed.

I would like to direct my testimony to three specific areas of the bill. One, Section 6(B)(2) of Page 17, Line 14, establishes eligibility which eliminates individuals who earn $17,000 or more in the previous year. I understand the rationale for that inclusion, but we estimate that in Chicago this would eliminate as many as 50 percent of the dislocated worker population, especially steel workers. The formula which perhaps should be changed if I may respectfully say so, Senator, to allow participation by workers who have been negatively impacted by international trade, automation, and/or plant closings in spite of their previous year's income.

Two, the proposal as I may say is conspicuously lacking in reference to skilled development beyond the basic skills. If the proposal is going to gather adequate support, it is going to be only a transitional means to private sector employment. There needs to be, we think, a stronger link to vocational skills development. This can be done by requiring participation in a vocational skills training program as a condition of participation. Of course, with the adequate counseling in job placement and support, too.

The proposal also lacks general criteria for the selection of jobs projects, except that they must conform with the restrictions in Section 8. Now, it is important to give significant discretion to local district executive counsel. There should be some guiding criteria on the economic and social use of such projects. In short, there should be a little closer hands on, shall we say, categorization on the part of the Federal Government.

We applaud the Guaranteed Job Program. It is much needed. But we would be remiss not to note that the Federal Government has to reach beyond this program. Over the past two decades we have painfully learned that job training is not job development. A training program enables a person to fill a job. Obviously, it does not create a job.

This laudable bill provides a bridge job for the unemployed. It does not create a permanent job. Congress can do a great service by tackling the question of job creation head on. We are in the fifty-fourth month, I understand, of the economic recovery—that is in quotes—which would traditionally mean a time of labor shortages. Yet today the employment rate is still 6.6 percent and we only broke below the 7 percent level during the past several months, several months.

In my actual agenda to guide our administration for the next four years I have set a job creation, set up a job creation among my highest priorities. Cities need that just federal funding to make our local economic and jobs development program work. I want to add here at this juncture that the cities are not supplicants who are bending the need at the table which is a horn of plenty. The cities are simply saying that the dollars are being sucked up to the Federal Government and we won't quarrel with that, but not enough is coming back to keep that base, tax producing base, strong. Unless that is done then the base will erode and what trickles up will be even worse.

We have to expand our job training, and we have to—when we need the traditional programs for our displaced workers. But even this is not enough. We need a national policy to put Americans to work to keep thousands here in jobs with adequate compensations security. And there are areas that can be done. For example, we need a national inventory which should be updated on—structure in this country. It will go into the hundreds of trillions of dollars. Our streets, our roads, our bridges, our filtration plants, our public buildings, they are obsolescent in many cases. As you know, I am mindful of one of my former colleague's jokes. He said the streets are so bad and the sewers are so old that if you park your car and walk away, it might sink into the earth, never to be seen again. That, in essence, is what is involved in infrastructure.

Through an infrastructure program, the housing program clearly and obviously could put the country on its feet. Four years ago, pursuant to preparing for the Democratic National Convention, we marked up some numbers and some figures relative as to what would be saved through a major infrastructure program in this country. It was an amazing figure.

We pledge to work with other cities and their Mayors on our agendas. We offer full cooperation to Congress in order to develop a National Jobs Program. As I said before, this bill is a step in the right direction, a gigantic step toward establishing that National Jobs Program. But we must reestablish the traditional partnership between the federal government and America's urban centers, if we are to successfully resolve this major unemployment issue which is, frankly, eroding the entire country.

I want to thank you very much for inviting me here this morning, Senator.

Senator SIMON. I thank you very, very much. First of all, I appreciate your specific suggestions on the legislation and this is not written in concrete. We will consider that.

Let me comment first on your—when you say we have to move beyond this, I couldn't agree more. This is not the total of what we have to do as a nation. And you mentioned housing and infrastructure. Let me just mention another little thing that Mr. Blakey, chief counsel for the subcommittee, and I are working on.

When I grew up there were a great many homes in rural America that didn't have electricity. The majority of my relatives didn't have electricity in their homes. We take it for granted that every home has electricity. But there are seven million American homes today that don't have telephones, people who live in this City of Chicago, who can't call the police if somebody is trying to break into the home. They can't call the fire department, if a fire breaks out. They can't call an ambulance if somebody has a heart attack. One of the ways that we could help our nation, and put people to work, is by just providing that one basic service that really ought to be there for everybody. It is not considered infrastructure, but in a very real sense it ought to be part of the infrastructure of this nation.

You mentioned an 8.8 percent unemployment rate. Is that the official unemployment rate?

Mayor WASHINGTON. As I understand it, yes.

Senator SIMON. So that, in fact, if you count what the Bureau of Labor Statistics calls the discouraged worker, if you count the people who are working part time who want to be working full time, your real unemployment rate for the City of Chicago would be around 12 or 13 percent. Is that correct?

Mayor WASHINGTON. Minimum I would suspect.

Senator SIMON. And, you know, that means very roughly that one out of eight people in this City who want to be working can't work.

Mayor WASHINGTON. Not only that, and along with that, the comment of despair and hopelessness, lack of morale, and all this is debilitating to the——

Senator SIMON. I couldn't agree more. Two things give people hope. One is a job and the other is seeing themselves or their children move ahead educationally. And that spark of hope is what we really have to give to people.

What would happen to the crime rate in this City of Chicago if we were to have a Guaranteed Job Opportunity Program so that people really could feel they are contributing. You know, you don't look down on yourself, as you do frequently when you are out of work. What would happen?

Mayor WASHINGTON. I don't know the exact equation, but there is clearly a correlation between the amount of crime and the existence of jobs. The correlation is there. Sociologists recognize it. Police recognize it. People who work with people and deal with those crime statistics understand it. Not only that, it goes to the question of stability of family life. It goes to the question of dropout rates. Young people drop out of school for many reasons: poverty, inability to compete. Lack of dollars might well be the major cause because that deals with the psyche of the individual. Economic crime is burgeoning in all major cities, all major cities. The use of dope which comes about through, to a certain extent because of despair and hopelessness, and there is a common there.

I don't know if you could ever measure it. We just know it is horrendous in terms of its figures. We also know that to the extent that people are working, gainfully employed, thinking positively, their minds are not idle and crime obviously doesn't play very well when people are busy.

Senator SIMON. The reality is wherever you have high unemployment, you do have a significant drug problem, an alcohol abuse problem. I have just been reading articles about teenage pregnancy, in the counties in Illinois it is very interesting. There is a tendency on part of a lot of whites to view teenage pregnancy as a black problem. You look at rural counties or Hispanic areas, and in white counties in this state where there is high unemployment there is high teenage pregnancy, higher crime rates. They just seem to go together. So if we really want an anti-crime program in this country, what we need is not a lot of speeches. We really need a good jobs program. I don't want to put words in your mouth, but——

Mayor WASHINGTON. You are doing very well.

Senator SIMON. Well, I really appreciate your testimony.

Ms. Cerda, do you want to add anything here? You are very knowledgeable in this area, and I have great respect for you. It is a tribute to Mayor Washington that he appointed you, incidentally.

Ms. CERDA. Thank you, Senator. Thank you very much.

Good morning.

I wanted to say to you that we have a training delivery system, unemployment delivery system that is not well structured, that is not wholistic in its approach. We have vocational schools. We have the job training partnership. We have the Welfare Department talking about employment studies. I would like when you do—to look at what we have that works well, and utilize those systems. Of course I am self-serving. It might interest you to examine what the JJPA system provides as an employment and training system and utilizes effectively delivery systems through whatever your job bill would create.

I would hate to see us having powerless systems delivering the same kind of services to the same population. I think we have learned a lot. We have worked hard in stretching the dollars as the Mayor said, in building partnerships with the private sector. In looking in Chicago where the City colleges and all those can provide, and I think we ought to build from there rather than go back and establish competition and powerless system.

Senator SIMON. I could not agree with you more. Let me thank both of you very, very much.

Mayor WASHINGTON. Thank you, Senator.

Senator SIMON. Thanks for being here and for your leadership.

Mayor WASHINGTON. Senator, your hearings might well be the start of something new. I hope so. Thank you very much.

Senator SIMON. Thank you.

Our next witnesses are Carolina Garcia and Willie Morris, City of Chicago.

Ms. Garcia is not here right now, so we will proceed with you Mr. Morris. We will just let you go ahead. First of all, it is good to see you again, and I thank you very, very much for being here.

For the record, let me just say here is a young man who makes a very fine impression, and I would like to just hear his story. You just kind of summarize where you are. You are unemployed at the present time, is that correct?

Mr. MORRIS. Yes.

Senator SIMON. Do you just want to tell your story?

STATEMENT OF WILLIE MORRIS OF THE CITY OF CHICAGO

Mr. MORRIS. First of all, let me say I would like to thank God for giving me an opportunity to be here today, and also I would like to thank God for—that you hear my cry. So I am going to begin like this.

Being unemployed at 29 years old, staying with your parents is pretty rough. About a couple of years ago I decided to leave home because I didn't want to put pressure on my parents. So I took off to Jacksonville, Florida. I took my public aid check and said, "Well, I have to do something." So I looked for a job down there. I couldn't find a job in Jacksonville. So I wound up staying in the Missions for about ten days.

I have written a list down to myself and I prayed. I said, "Lord, point me out something." So what I did was I had written out a list and I said, "Well, I am going to call here. I am going to call there." So I called the Jacksonville Times, the newspaper company. And I said, "Let me speak to the publisher." He was not in. But, anyway, I talked to his secretary and she said that she would give him the message. I told her that I was in the Mission and to have him call me at a certain place. I had stopped at a phone booth. So, he didn't call. I was wondering, "Man, what the heck was happening here?" So I called back, and he picked up the phone. I said, "My goodness." He said, "Come on down." And he gave me money and I went home from there because I was very depressed during that time and, plus, I wanted to come back to the City of Chicago. I feel it is the greatest city in the world and, also, that this is where I was born and raised at.

The clothes you see me wear, you know, seem to be very impressive. I am the type of guy that tries to impress people because it is how you dress. If you are not dressed good, people don't seem to really look at you the way they should look at you, instead of your character. The clothes I have on today I picked them out at the Salvation Army, and it was to try to impress people. But I know you know about W. Clement Stone. He said, "Well, I don't judge a person by his clothes or by his hair or a thing like that." He judges a person by his character. This is why I feel good about Mr. Clement Stone about—but to get back to the point is I am unemployed and so I need a job.

You know what? Another thing that is so strange is that I am the type of person that needs a job, but I am always trying to find a job for someone else. I am always trying to help because it is in me to help. And right now I made a commitment to a young man and said that I am going to go up to Jewel's and, if I can get him a job at Jewel's because I had previously got about three people hired at Jewel's. But like people say, "Man, this guy is crazy. Helping anybody else." But it is just something that is in me and I surely believe that God is wanting me to contribute to society. It is just something that I know I could do to continue to survive and to help the young people, because that is what it is all about. Because, if I am a certain age, we should lend a hand to the young people.

Senator SIMON. Let me thank you first for your attitude and your concern about others. Let me ask you very specifically.

You are 29 years old. There are people who say that anyone who wants a job can get a job. Are they correct?

Mr. MORRIS. I think so. I have a job but I am not getting paid. I have a job. I work every day. I work on the street with the kids. And this is a job, like I said. I am not getting paid. But I believe that one day—it may be today. It may be tomorrow. I remain very optimistic because that way——

Senator SIMON. But you have been trying to get a job for some time?

Mr. MORRIS. Yes.

Senator SIMON. And it is not easy, right?

Mr. MORRIS. Let me tell you this. The young lady here named Ms. Garcia, I sent her a letter last summer saying I needed a summer job. She didn't respond, but her aide responded and said, "Well, bring the paper down and we will see what we can do for you." And I did and I didn't hear nothing else. So I continue. So I have been really trying very hard.

Senator SIMON. If you don't mind my relating our conversation when we met before—do you have any objection?

Mr. MORRIS. No, no.

Senator SIMON. All right. As I recall you said to me the previous week you hadn't eaten in two days. Your mother did not know about it because you didn't want her to know, but you didn't want to be taking food away from your brothers and sisters, is that correct?

Mr. Morris. Exactly. Exactly. And that is what led me to go to Florida. Because I can see myself—I just couldn't see myself at a certain time in my life. I just couldn't see myself. That is the reason why, again, I went to Florida.

Senator Simon. And so what it means is that in this good and rich country there are people who are looking for jobs who are going by without food. And clearly it shouldn't be happening. But if we had a job program like the Jobs Program that you have heard outlined here today and I sent you a copy of my book with kind of an outline of that program, that Jobs Program would bring thousands of jobs to Chicago, would be of real help to the city, but would it also be of help to people like you?

Mr. Morris. Yes. Yes, it would.

Senator Simon. Any further questions, Mr. Counsel?

Mr. Blakey. I just wanted to ask just one question.

Mr. Morris, did you complete high school?

Mr. Morris. Yes.

Mr. Blakey. You completed high school. That was all I wanted to know. We are trying to establish what the relationship is and one of the things that Senator Simon's bill does do is attempt to make an assessment of where the person is educationally and what work skills or work experience each participant possesses so we will know on what education and skilled training base we are building. The common myth is not only that there are jobs out there for everybody who wants one but, also, all the people who are looking aren't prepared to do the work, and they don't have a high school degree. You are not a high school dropout. You finished. You, obviously, are articulate.

Mr. Morris. Let me say this, also. Again, it may sound a little farfetched, but I am just telling you how I feel. If we can hire, maybe, 50 young people, I would do without a job because the young people are the future. I know that I am still young. But you can hire 50 of them. I would do without because I know our future is in—it is headed toward the right direction because I am strong. I survived this long and it must be God. There is no doubt about that. So I am willing to make that sacrifice. If you can hire the 50 guys, just like you say, the drugs lean more towards the young people that don't have any kind of direction, you know, in poverty stricken communities. And I am just one that is exceptionally, you know, to the fact that because there is poverty around I am not going to let the poverty get into me, you know, but other kids are young. They don't know. The maturing stage they haven't reached that. So I really see them. I really, really, see them even though you say people say, "Well, why don't you be for yourself? Be for yourself." I just can't be for myself. I want to be for others.

Like I say, it may sound crazy, but that is really the type of fellow that I am.

Senator Simon. We ought to be able to provide an opportunity for you to be able to support yourself, so that you have a job and others do as well. And if you are having a tough go at 29 with a high school—and as I recall, you have some junior college work, too—you can imagine what it is like for somebody who is 55 with no high school graduation or one of the most staggering statistics I know among employable blacks with disabilities. The unemployment rate is 82 percent. That is just a staggering thing.

We have to do, and we can do, better in our country.

We thank you very, very much for being here today and for your testimony.

Mr. MORRIS. Thank you for the opportunity.

Senator SIMON. And we wish you the best. And, obviously, you are the best dressed man in this audience here, wearing that bow tie there, Mr. Morris.

Mr. MORRIS. I went to the Salvation Army.

Senator SIMON. Thank you very, very much.

Next we have a Community Organization Panel: Mary Gonzalez-Koeng, Clark Roberts, Jose Morales, and Anne Ladky. If the four of you could come forward. First, Mr. Clark Roberts, the Director of Employment Counseling and Training for the Chicago Urban League.

Mr. Roberts.

STATEMENT OF CLARK ROBERTS, DIRECTOR OF EMPLOYMENT COUNSELING AND TRAINING FOR THE CHICAGO URBAN LEAGUE, ACCOMPANIED BY JOSE MORALES, PETER TRIGALIS, AND ANNE LADKY

Mr. ROBERTS. Good morning, Senator Simon. Good morning, Buddy.

Mr. BLAKEY. Good morning, Clark.

Mr. ROBERTS. Floyd has copies of testimony here, and want——

Senator SIMON. Let me just add that we will enter the full testimony in the records, and then if you can summarize that testimony that would be helpful.

Mr. ROBERTS. I will just highlight a couple of points in here based on time.

Simply, the Chicago Urban League was founded in 1916, and it is Chicago's oldest and largest full-time race relation agency. The League's mission is to eliminate racial discrimination and segregation and to work for the achievement of equal opportunity and parity for blacks and other minorities in every phase of American life.

In the correspondence that came you asked us to address three issues and any additional comments. One was to talk a little bit about the current state of unemployment among the residents of Chicago with particular emphasis on unemployment among blacks and other minority Americans. The programs that the Urban League is involved in that will help us on that and any comments or recommendations, modifications or improvements of your bill, Senate 777. The Employment Counseling and Training Department is the cornerstone of the League's efforts to enhance the economic well-being of its constituents in their communities.

Through its basic training, placement, recruitment and referral services the Department has helped countless job seekers obtain and retain employment. The Agency's computer training center on Chicago's West Side is a preparatory model for skilled word processors, data entry operators, and computer programmer careers. With hundreds of successful graduates since its establishment in

1976. And the Affirmative Action component helps secure hundreds of jobs with disadvantaged workers and millions of dollars in contracts for minority and women business enterprises, particularly in the lucrative construction industry.

I am going to focus some of my attention to the unemployment issue that your bill, at least, focuses on and tries to address.

According to our 1986 annual report, the road to economic recovery in America continued to clearly bypass blacks in their communities during the past year. For the first time in 20 years, employment growth in the Chicago metropolitan area outpays growth nationwide. Yet Black employment actually declined by 3,000 jobs, despite the fact that Black labor force in our area rose by 19,000. While the unemployment rate among suburban Whites dipped from 4.7 percent to 4.1 percent last year, the rate for Chicago Blacks jumped from 21.5 percent to 25 percent. And for the cities of Black Youth, unemployment reigned at the appalling level of 40 to 50 percent.

I am going to skip over to another passage. In the recent March 1987 issue of the Illinois Labor Market Review, a labor market information publication of the Illinois Department of Security, the following was reported. And I, here again, will highlight it.

Employment changes over the year include a continued decline, totaling some 10,200 jobs in manufacturing which were concentrated in electrical and electronic equipment. A decrease of 3,800 nonelectrical machinery. A decrease of 3,400 in rubber and plastic. A decrease of 1,909 in manufacturing. And these were recorded.

At 8.2 percent, Illinois unemployment rates for January were down moderately from last year 8.6 percent at this time. And there was an overall drop of 26,000, the number of jobless persons, while persons at work fell 11,000. Compared to last month, the jobless count climbed 68,000, while job holders fell 99,000.

Consequently, the January unemployment rate is up 1.2 percent points from December.

To move on to another report, you heard from Mayor Washington and Ms. Cerda that Chicago represents the largest market in Illinois and the State's largest concentration of Black and Hispanic population, according to data included within the City of Chicago's Mayor's Office of Employment and Training, Joint Training and Partnership Act, commonly referred to as JTPA, two year job training program, for the year of 1986 and 1987. And, here again, the unemployment in 1984 and since the data from the City, the City total was 193,000 unemployed; Black 115,000; Hispanic 26,000; Female 89,000; Youth, Age 16 to 19, 26,000.

The data basically, and I will—the percentages are there and I won't get into that. But the data demonstrates that each proposed target group experienced unemployment at a rate above City averages and accounts for a substantial number of unemployed persons. I think the most significant finding in that report is from the beginning of a recovery at the end of 1983 through the second quarter of 1985, the unemployment rate for Blacks never fell below 20 percent. And that doesn't include those who stopped looking for jobs all together.

Whatever the statistical data that we have that focuses on unemployment and employment, I think the bottom line is this. However, one views the variety of statistical data that we have or the sources that they come from, the bottom line at least in Chicago is that Blacks and other minorities face many problems associated with unemployment. And very briefly, I highlighted some of the programs that the Urban League is involved in and I will just go into a little detail in the sense of the funding sources on those.

Our computer training center which is funded by the Mayor's Office of Employment and Training, the computer training center prepares over 150 individuals each year for jobs in the areas of word processing and computer programming. Individuals receiving training at the computer training center must possess either a high school diploma or a G.E.D. And applicants interested in computer programming must pass a programmer's aptitude test. And all applicants must be economically disadvantaged residents of Chicago.

We have what is called an OJT Program or On Job Training Title 2-A Program. The thrust of the Chicago Urban Leagues On the Job Training Program, which is funded by the Mayor's Office of Employment and Training is to develop and enroll 130 economically disadvantaged residents of Chicago into subsidized job training which upon completion of the training will lead to full-time unsubsidized employment. I can report today that the Chicago Urban League has gone over 100 percent in that program in the sense of its placement activities and could do more.

We have an On Job Training Title 3 Program and the thrust of that program which is funded by the Mayor's Office Employment and Training is to develop and enroll 25 Chicago residents who are unemployed due to plant closure or layoff into subsidized job training programs which will upon completion of that training lead to full-time unsubsidized employment.

We have what is called a placement and retention program, and the thrust of that program is to develop positions for and place 131 economic and disadvantaged residents of Chicago.

Let me make a couple of specific comments on items that were listed in Senate Bill 777. The Section 5 which focuses on District Council's, this section we think should also include language that would require that those selected are knowledgeable about the problems and the populations to be served. Another suggestion would be that this Section should also require an evaluation procedure by an objective outside structure of the performance of the District Executive Council itself. In the Bill, it does build an evaluation, but it does not address the evaluation of how the Council itself will function if it is to be a model, and I think that is one thing we would suggest for your consideration.

In Section 11 the program that really focuses on nondiscrimination is Title VI or Title VII. We would believe that when a recipient has been funded and has failed to comply with the law, that that receipient should be prohibited from any future projects for the following lease program year until they get their act together as such. If they are proven to be, you know, discriminating in the process, we would think that that would not be funded for the coming year on that.

The Chicago Urban League knows that it is time for all levels of government and service providers to take the best methods and put them to work in an effort to resolve the problems of unemployment. Therefore, it is very important that quality job training and education programs be viewed as a positive step towards assisting those who need help and are seeking help.

In summary, we support the policy that would have educational programs linked to employers training and placement needs. When this is accomplished, a positive step will be in place for attacking the problems that Senate Bill 777 addresses. Please note that the Chicago Urban League wishes at some future date to provide you and the Subcommittee with additional comments on Senate Bill 77, on the jobs training and education programs that are relative to the problems of unemployment. And we thank you for this opportunity to share this information with you.

Senator SIMON. Thank you very, very much for your testimony. Mr. Peter Trigalis?

Mr. TRIGALIS. Trigalis, yes.

Senator SIMON. Trigalis. Forgive me for not knowing. Testifying in the place of Mary Gonzalez-Koeng and can you identify yourself?

Mr. TRIGALIS. Yes. My name is Peter Trigalis, and I am the Program Development Director at Spanish Coalition for Jobs. I apologize our executive director, Mary Gonzalez-Koeng cannot be here today. We have a very full agenda this summer and she asked me to cover. In fact, she said, "Take a look at what our employment programs are going to be like for next year," and that is what is on her agenda for right now.

Thank you for the opportunity to testify today. I won't read my entire comments. I have them submitted there. I will just summarize them briefly.

Spanish Coalition for Jobs is a community based employment and training organization. And this month we celebrate our 15th anniversary of service primarily in the Hispanic community. At this time we have got a walk in job placement program, on the job training, classroom skills, training for clerk typists, word processor or operators, and office copies technicians, English and G.E.D. classes and a high school dropout prevention program, as well as an advocacy that we do with large employers on behalf of increasing their work force with Hispanics.

Right now we place over 100,000—excuse me—we place over 1,000 persons annually. Some of these persons are placed through contracts with the Mayor's Office of Employment and Training just like my colleague from the Urban League described. We, also, get funding from the United Way of Metropolitan Chicago, as well as other corporate and foundation sources.

Regarding Senate Bill 777, basically what it brings to mind to us is that the last similar program, anything that came close to it was the CETA Program that operated during the 1970s, particularly Title VI, known as Public Service Employment. CETA had a really mixed reputation and I think particularly under Title VI it got a black eye, largely because it was abused by municipalities across the country, including the City of Chicago, under previous administrations, in order to add persons to the public payrolls.

The purpose of Title VI, originally, was as a transition rather, as I see it, as the Guaranteed Job Opportunity Program, to move people while they are unemployed, give them an opportunity to work and then work on getting them into a position that is unsubsidized. And we had a Title VI contract back in the 1970s as well. We used it that way. We managed to place 85 percent of the people who came in to us through Title VI, and they were placed in a variety of positions with community organizations all around the City as a matter of fact, largely concentrated in the Pilsen and Little Village community on the southwest side of Chicago, and they did a lot of good work.

As a matter of fact, it developed some of the leadership that we see in the City. In fact, there is one City Councilman in Chicago today that I know of who was in the CETA Program through Spanish Coalition for Jobs.

Now, by contrast, Citywide average for all CETA Title VI participants was 33 percent, and that is largely because other organizations or the City simply didn't pay attention to the job placement aspect of the program: Moving people out into unsubsidized employment. We didn't wait for their term of subsidized employment to expire to place them. We would move them as soon as it was feasible and that is what, in our experience, accounts for that placement. And I would urge your Committee and Congress, as well, to put into effect performance standards that would evaluate this particular program as a transition between unemployment and into gainful employment that is unsubsidized.

We certainly see a major role for this legislation and for the programs that it can provide, and we look forward to having it put into effect and the only thing we would recommend to the Committee would be institution of some sort of performance standards so that you could have a real—don't end up with the same kind of problem and the same kind of reputation that CETA Title VI got.

One other comment, at least the way I read the Bill is that it limits participation to persons with incomes—and I made a mistake in my written testimony here, to $17,000 a year or lower. That is absolutely fine for families of, say, up to the size of five members, if you are looking at that but, if you look at the current guidelines that we operate with under the City of Chicago, for a family of six, for instance, for the JTPA Programs, and these are income guidelines for the determination of economically disadvantaged that were effective in February of this year, the maximum income for a family of six is allowable for participation in the program is $17,790. If you have families that are larger than that, which you will find fairly often in the Hispanic communities, you will find that it is—they are struggling even with income of $18,000 or $19,000, if they have a number of young children.

And so what we would request would be some flexibility in the income guidelines to allow participation in some cases for persons and families whose annual income may be above $17,000. The dollar just isn't worth what it used to be several years ago, and the families in our neighborhoods feel it considerably.

So thank you very much for the opportunity to comment and we appreciate the opportunity. Thank you.

Senator SIMON. I thank you very much for your testimony.

Anne Ladky, the Executive Director of Women Employed here in Chicago. Please to have you with us, Ms. Ladky.

Ms. LADKY. Thank you, Senator. We are glad to have the opportunity to testify this morning.

Very briefly let me explain that Women Employed is a national association concerned about women's economic equity, and we are comprised of a membership association of 1,100 women in Chicago, and a research and education in the Women Employed Institute. We conduct advocacy programs on a variety of issues, including women's access to vocational education and job training for higher paying jobs, federal equal opportunity enforcement policy on which we have worked with you quite a bit, and work and family issues.

We provide career development and job hunting services to women, and we are currently conducting several pilot programs designed to prepare girls at high risk and early pregnancy, and teen mothers for employment. We began working with these young women because research has shown that young people are far less likely to postpone pregnancy when they have no other life options: Specifically, the option of a decent education and a job.

And I think you have discussed this with the Mayor and we concur that the issue of jobs is critical to other very important social problems that we face right now. All of us who are concerned about vocational education and job training know that the lack of decent employment opportunities seriously undercuts our efforts to assist people in preparing for work.

Women Employed supports the principles articulated by the Guarantee of Job Opportunity Act. We believe though, if it is to have its intended effect, it must function as one component: The middle piece, if you will, in a comprehensive effort to permanently interrupt the cycle of despair, poverty and wasted opportunity that exists among the disadvantaged today.

This effort which we believe must take place jointly, at local, state and national levels, and must be supported by literacy training and better job training on the one hand and economic development that can lead to the creation of permanent jobs on the other. I hope that this Bill can also serve as a catalyst to support those efforts on either side of it because I think the issue as we see in the populations that we are working with now is that the issue of no literacy will torpedo. Job training efforts, the inability to provide permanent jobs will create some of the problems that Peter Trigalis talked about with respect to CETA.

Let me make a few brief points about women in the context of this proposed legislation.

First, any comprehensive employment and training effort that is really intended to lead to economic self-sufficiency for women must be structured to intervene in segregated occupational patterns. Currently, too many of our vocational and educational and training programs channel women into female dominated jobs. Now some of them, specifically highly skilled clerical jobs, are decently paid, although we might argue not fairly paid for the skills and education required to do them. And they can lead in some cases to better jobs.

I think highly skilled clerical jobs have been an important road of opportunity for minority women in recent years. Most female dominated jobs, however, are extremely low paid and will never lead to economic self-sufficiency, particularly for women who are raising children. Despite what some employers and training providers may tell you, women do not choose these low paid jobs.

The truth is that they are prevented from choosing anything else by a great variety of factors. And I think those have to be taken into consideration. If you look at the research we have done on the vocational educational training programs offered by the Chicago Public Schools and the City colleges, you will see the patterns that existed in employment 15 or 20 years ago, and that the majority of our high school, female high school students being trained for exceedingly low paid, low opportunity jobs.

We believe that the regulations that are devised to implement the nondiscrimination provisions of this Bill should include goals regarding female participation in nontraditional jobs and training. We would be happy to provide your staff with a study that we just completed for the Mayor's Office of Employment and Training on how they can intervene in segregated occupational patterns in the work that they are doing.

And, of course, the issue of child care must be dealt with. We hear from JPA providers, Project Chance officials, and others, in the training arena that they cannot find providers for child care for the women who need it. We need to give serious attention to the availability and quality of child care. And, also, how we can assist women when, in fact, it isn't feasible of them to even put their children in day care. And I am referring now to women with infants of under 18 months for whom child care is virtually nonexistent, and about which there is great debate in terms of its quality and whether it is a good idea in general.

Also, for women who may have special children for whom day care placement is difficult, those issues must be addressed if this Bill is to serve women adequately. And I hope, Senator Simon, that you will lead a lively debate on the kinds and quality of jobs that are going to be provided through this legislation. I think that in your remarks about the WPA we saw that they were socially useful quality kinds of improvement made in this country, made in the employment market, in general, by that program. We are deeply concerned that that be a part of the debate surrounding this particular legislation so that this Bill does what I know it is intended to do, and that is to create a more successful, a more participatory work force, a more vital economy that can actually provide opportunities for the people in the society who need them most.

We, of course, would be glad to participate in this debate in any way. And we certainly look forward to this Bill having an impact on that debate, and for greater job opportunities being provided by this means.

Thank you very much.

Senator SIMON. We thank you.

Mr. Morales is the Executive Director of Association House in Chicago. Very pleased to have you here, Mr. Morales.

Mr. MORALES. I appreciate the opportunity to be here. I am aware that the invitation extended to us to testify this morning is largely attributable to the record distinguished service that Association House has had to this community for over 88 years. I am concerned that you understand that in 1899 when Association House was opened the purpose of that opening was to provide for young women in the area of Damen and North Avenue. A place for them to go. A wholesome place for social contact. And the YWCA listened to and received a petition from the young women of that community and decided that the best thing that they could do was open a training school for YWCA secretaries in that location.

They rented a building at 474 West North Avenue, which is now 2013 West North Avenue, and opened the place where there were classrooms and homes for residents. The charter of the YWCA called for training in that location for these young women. Eighty-eight years later we are still at that location. We are providing training in seven different locations throughout the community, and in cooperation with United Way of Chicago with the corporate sector in Chicago, and with the Mayor's Office of Employment and Training we funded the seven programs that are giving training in the area of employment, skill development, and education in that location in the City.

I have asked Mr. William Levy to be here this morning, who is the Community Development Director of the Agency and who is largely responsible for the reputation that its programs have in the City of Chicago for high placement. I would like Mr. Levy really to share in this testimony.

Senator SIMON. Pleased to have you.

STATEMENT OF WILLIAM LEVY, COMMUNITY DEVELOPMENT DIRECTOR, ASSOCIATION HOUSE OF CHICAGO, CHICAGO, IL

Mr. LEVY. I am going to read a little bit from a document that we prepared a couple of years ago called "The Comprehensive——

Senator SIMON. Can you, for the record, give your official title?

Mr. LEVY. I am Bill Levy, Division Director for Community Development at Association House of Chicago. I am responsible for operating our employment training program.

I am going to be reading a little bit from a "Comprehensive Plan for Community Based Employment Training Programs" that we prepared several years ago, which basically outlines our philosophy and model of how we have been doing this for a number of years.

While the ethnic ratio and religions of West Town Humboldt Park have changed many times during the past 88 years, some aspects of community life have remained constant. Our part of the City has always been a port of entry for immigrant groups: Poles, Germans, Italians, Scandanavians and Jews. They have struggled here to enter the American mainstream. Now Hispanics and Puerto Ricans are the predominant groups.

The population of our community has usually been young, undereducated, poorly housed and frequently out of work. But while similarities with earlier experience can be seen the analogy fails in the light of the harsh economic realities of the 1980s. The unskilled and semi-skilled worker cannot survive today in a world whose industrial manufacturing base is changing so profoundly. In 1987 our community is confronted with a crisis of unemployment and underemployment that is unprecedented.

Association House is attempting to confront that crisis. To do so, it draws upon its 88 years of social service experience in the community. The founders of Association House recognize the dignity of all peoples and saw quickly that poverty and unemployment eat away at that dignity. Our founders committed themselves to help these people find work so that they could sustain themselves at a decent living standard. At the turn of the century the staff immigrant girls, English and clerical skills, basic practical skills that they used to get in key jobs in a new and alien culture.

The approach was based on the belief that most people want and need to work. It recognized that people need marketable skills, if they are to survive. Another lesson also became apparent. People need a sense of community and the support of their community is to succeed. Association House became the home to thousands of newcomers over the past eight decades as it helped to foster that sense of community. As our agency grew in size and sophistication so did our commitment to provide immediate job training and employment opportunities, job placement alternative, education.

Association House currently offers nine employment training programs to address the diverse needs of local residents for improved skills and—access to jobs. Our program places 300 adults directly in jobs per year. Our youth employment program reaches out to unemployed, out of school youth, mostly high school dropouts, offering them job readiness training, job and school placement, and long-term vocational counseling and support.

Out of youth employment develop the—this is a unique alternative high school project offering Hispanic dropouts a real chance to finish high school and go on to higher technical training or college. After one of our young people might graduate from—he might enroll in our computer training program which is a one-year college based training program run in partnership with 16 Chicago corporations and Truman College. We have a health career center that addresses the critical shortage of Spanish health care workers offering pre-nursing and pre-paramedics training.

The office skills center offers an entry-level clerk-typist DSL Program and a higher level secretarial word processing training for 114 people a year. The highest level training is a nine-month evening computer programmers course designed to help Hispanic heads of household to change jobs into growing fields of the economy.

These programs are bound together more by their common—more than by their common sponsorship by Association House. They constitute and attempt to address the critical problems of unemployment, under-employment in our community in a strategic way. They have evolved from a sensitivity to the hunger of people to work to earn their own livelihood. They are designed and operated to make cultural—trainees and practical sense to perspective employers.

In light of our long history of dedication to expanding the opportunities for the poor and the unskilled, we welcome and applaud your efforts, Senator Simon, to call for an expanded and renewed federal commitment to enhance job opportunities for the disadvantaged. We wholeheartedly support the concept and thrust of this Bill; however, we would urge the careful reconsideration of several points.

We will review some of the points.

The income eligibility numbers that you have here, Senator, I think are problematic. While they exclude displaced workers and they are not adjustable for family size, actually I think they are too high for an individual single person. And I don't think they will adequately target these resources to those most in need. A person who is making $16,000 living on his own could conceivably—a skilled person with a degree could conceivably use this program. Now, it is not likely, but if there is substantial benefits in terms of skilled training and health care this is not targeted adequately enough. So I would suggest that the family income be a consideration and that it be changed by family size. And if we want this to include the needs of displaced workers that we again make a separate eligibility standard for them. I think all of us would urge you to re-think the eligibility numbers that you have here. The situation is little bit more complicated than these numbers would suggest.

I also have some concerns about Section 9.3 Welfare Recipients getting a 10 percent kick to participate if they are currently under the minimum wage. And I really don't think that 10 percent is a realistic to even cover the expenses of travel and additional expense that will inevitably happen when a person goes to work, and I would urge that you reconsider the 10 percent number and kick it up to some realistic incentive like maybe 25 percent.

I echo your concern for Women Employed. That the kind of projects this thing would fund need to be projects that are generally accepted as socially useful, that the participants can take part in these projects and I think the thing that makes WPA or Civilian Conversation Corp a model for you to look back upon is the quality of what they did, and the quality of the monuments they built. They weren't just make-work temporary projects. I mean they did the National Parks. I think if we want to instill the pride of work in these projects, we have to put some emphasis on the quality of the projects themselves and not just have a program where people—"I will give you some money. You can work for a while until you find another job." These people get invested in the quality of the public work and the infrastructure job, so let's not just push them through the program as quickly as we can.

I think that is the only way that the public in this country is going to accept public works jobs if we have a very quality product. So I would caution you in that area.

The other thing is I think that there are some other economic things that this Bill shouldn't be seen in isolation. And I would urge you to consider some other factors that are very adversely affecting the economic conditions in our community. One is the minimum wage. The minimum wage that hasn't been raised in about six or seven years, that hasn't kept pace with inflation and desperate communities like ours. These high unemployment rates are used to artificially depress wages. Give you an example. You know, the McDonald's worker in West Town Humboldt Park gets $3.35 an hour. If there was no minimum wage he would get $1.50 an hour. The McDonald's worker in Oak Brook is going to get more money than that, not because his job is going to be any different but because the labor market is different. And the high numbers of unemployment just keep wages down in our community and the only hope for a lot of our families is a simple federal increase in the minimum wage to keep pace with inflation, and bring it up to around $4.30 an hour.

Now realizing that raising the minimum wage just to where it was seven years ago, would have a massive positive impact on the debilitating economic conditions of many Hispanic families. Many Hispanic families have one or more people working for the minimum wage. To raise it a buck an hour would be to infuse $2,000 to $4,000 a year into the family income. And that is not, you know, trips to the Bahamas. This is food, clothing, shelter. These are very precious level dollars. And so I would urge you to seriously consider supporting an increase in the minimum wage. It would have major, major impact in our community.

Lastly, I would urge you to consider a federal law that would do away with the incentive for employers to hire part-time workers over full-time workers. This is what I call the part-timization of the labor market. It is a major negative trend in the Hispanic community. Many, many of our people can't get anywhere. They are stuck in part-time jobs at Jewel's or Zayre's, in the retail food industry. And the reason why these jobs are part time is because the employers don't have to invest in these workers, don't have to pay any benefits, and they are exempt from certain employer taxes. The same thing can be said for the temporaryization of work. Many of the decent clerical jobs that used to be decent paying jobs in the banks are now temporary. Where a person goes down there and they work for—they don't get any benefits and they don't get any health insurance. I don't know if they get unemployment tax paid on them. By categorizing them as temporary they are basically throw-away workers again.

A simple change in the Wage and Hour laws that would require a prorate equal payment of benefits and employer taxes for all employees based on hours worked alone would end this part-timization and temporaryization of jobs that is really eroding that low level of the ladder of equal economic opportunity.

So, in conclusion, I think that this Bill needs to be seen as a context. I think you are hearing some criticism about the income eligibility and about—let's be sure that we don't forget about skills, vocational training. Let's be sure we don't forget about the quality of employment opportunities and I think all of us are echoing some concerns here that the projects be credible public projects that can earn public support.

But we certainly don't want to discourage you. We think this is a great step in the right direction and we applaud your efforts and hope that you will consider and appreciate hearing from community groups and hearing from practitioners in the field, and Association House is certainly willing to—and I, to consult on this Bill.

Senator SIMON. I thank all of you. Let me just add, because one of the points that was made by all of you and made by the Mayor is some modification on the $17,000, not only that it—the way the bill is drafted, it applies to income the past year. Obviously, it should be current, but we need some flexibility in that amount. I agree on that.

Just a few general comments. First to commend all of you for what you are doing in each of your organizations, but as I look over the numbers of each of them in Urban League, for example, 150, 130, 25, 131, laudable as it is, the problem is so massive that clearly we have to do something much more significant from a federal level if we are really going to attack this problem of unemployment. And you are in an area where you have entities like yours that do help.

In a lot of rural poor areas, like Pulaski County, Illinois, there aren't your counterparts there. So that we really need federal government leadership to move in these areas. The last witness, when you were talking, hit on one of the problems. It is not directly related to the Jobs Bill but one of the problems is employers finding an incentive to hire more and more part-time workers. I find that generally it is because the contracts they may have with labor unions, or others, where they don't—if you hire a part-time worker, you don't have to pay health benefits or something like that.

You referred to employer taxes as being one of the incentives. Are you talking about unemployment insurance or——

Mr. LEVY. I think that is one of the factors they avoid by using part-time workers. And I think that if they simply had to pay that on the basis of the number of hours worked for all workers that would take that incentive away. I think it is a lot more than union shops. I mean, Zayre's and K-Mart's are not union jobs and they are using massive amounts of—I hesitate to use those words, "throw-away" part-time labor, that they don't invest in and have no serious career opportunities there. I think that is because they can avoid any benefits or any commitments to those workers. I think just to make them, if it was prorate where even if you are going to hire a part-time person you have to give him the. same equal benefits prorate part-time, if it is a health care it is half the health care for what you do with a full-time worker, if you are going to offer any health care. If it is unemployment compensation, he gets half that rate. That is the incentive if you do away with the extra benefit costs by breaking the job in two.

I think that is the major incentive. At least in our neighborhood I think that is the major incentive. And to prorate it would be to take that incentive away and might get employers to start investing in more permanent labor force.

Senator SIMON. We are digressing a little bit from what was the legislation and purpose of the hearing, but let me pursue it just a bit further for a moment.

We have 38 million Americans that don't have any insurance. You mentioned raising the minimum wage. What if in the process of raising the minimum wage, and clearly it should be raised, we were to say the first year there would be—and I am just picking a figure out of the air because all of this has to be negotiated yet, but we were to say there would be a 30-cent an hour increase? What if we were to say the second year, instead of an increment in terms of dollars, that there would be a requirement that every employer whether you are employing part-time or full-time employees, that you have health insurance coverage? What, if I may just ask, is the reaction of the five of you here? Faced with the second year of a 30-cent an hour increase in minimum wage or health insurance coverage which would you opt for? These are the kind of practical decisions we have to make in public life.

Mr. LEVY. Health insurance probably would cost a buck an hour, roughly. That is what it would be worth to the employer, at least, family health insurance coverage. About $3,000 a year.

Senator **Simon**. But you are not answering my question. All of a sudden, the five of you are members of the United States Senate. You have a choice of an increase in the minimum wage; the second year or mandated health insurance coverage. Just give me a yes or no. Which one would you vote for?

Mr. **Levy**. Health insurance.

Mr. **Morales**. No question, health insurance.

Ms. **Ladky**. Health insurance.

Mr. **Trigalis**. Health insurance.

Mr. **Roberts**. Health insurance.

Senator **Simon**. All right. That is very interesting.

Ms. **Ladky**. You didn't ask us to say whether we thought it would pass or not.

Mr. Levy. I think that the increase in the minimum wage by a dollar would be almost equivalent to a family health insurance plan, but ideally you could get the federal government to take more responsibility in health care and the minimum wage law bills will not increase federal deficits, and would simply bring us back to where we were eight years ago in terms of the purchasing power, the economic leverage of the poor. And I really think that that main thing that this thing would do by putting a lot of—would create labor demand for poor people and that might push up the wages in poor communities. That is an ancillary benefit of this thing.

Mr. **Trigalis**. I am going to add——

Senator **Simon**. If I may shift over to a comment that you made here, Mr. Trigalis, you mentioned the CETA experience. This legislation differs in two respects from CETA. No. 1, it is project orientated. One of the problems with CETA Title VI is we simply assigned people to a municipality or township or a county or whatever the entity was, and some people were well utilized. Some people were not well utilized and you had substitution in some cases.

People were brought on as CETA workers and then other people lost their jobs. We provide that it has to be project oriented so that people as they move from one project to another they really can develop some, at least minimal job skills as they move from project to project. Second, we provide a veto power for the projects either by business or by labor. And, presumably, labor would veto any substitution kind of situation that might exist.

Mr. **Trigalis**. I think that contrast to the experience between how municipalities use CETA Title VI program, and how community organizations use the CETA Title VI program, because I can tell you that community organizations I am aware of, including Spanish Coalition for Jobs and a number of other ones, had projects. That was the entire basis of the way they designed the program. In fact, we were requiring to do that, if I recall correctly. We had to say what we were going to do and what was going to happen afterwards.

Senator **Simon**. But if the Spanish Coalition for Jobs, if I may just pick on your organization, if you had—we said to you, you have to come up with projects. We are not going to assign, you know, three people to your 30 people, to your 150 people, you have to come up with the projects. Would you come up with the projects?

Mr. **Trigalis**. Oh, yes; sure.

Mr. **Levy**. Don't you think you would have trouble operating a project with all minimum wage workers——

Mr. **Trigalis**. Well, we have—it depends on to who, you know—how this would interact, I would say, with the Public Aid Departments and public aid recipients. We would encourage people to come in and use this as job experience. I think, you know, we are torn in a lot of ways with about this minimum wage question. What I was going to say before was we see very low retention when we are looking at job placements that are down at the minimum wage, or even at $4 an hour. We have a word for them around the agency. We call them garbage placements. Simply, it is because a lot of people don't last. If they have to travel, then the cost of the transportation is high; if it happens that the job is going to be in the suburbs, we have a major problem transporting people out to industrial jobs out in the suburbs. And we are losing our industrial base in the neighborhood where a lot of people used to be able to get jobs right out of high school or even if they left high school before graduating. They could get those jobs and they can't do that any more.

At the same time we impress upon our clientele that they are also going to have to pay some prices in order to get themselves up to a level of participation in the work force that is really going to work for them. And so, you know, there is some tension there. I think people who are in minimum wage jobs probably it is—in some cases, it may be difficult for them to stay there, but I think the answer is a program that is oriented towards placements after subsidized employment, so that when they come in they know that their purpose in being in the program is not just to collect a minimum wage check or to, you know—because they have to do this if they are going to keep their public aid or whatever, whatever amendments get added onto this Bill later on.

It would have to do with the fact that they see that this connects later on with what kind of a job they could get later. And that is why we keep on going back to the fact that this needs to be tied in with performance and subsequent job placement. And it is going to be a lot of work. There is no question about it.

Senator **Simon**. Let me just add, in general I agree with that. I think there will be people who—let's just say someone is retarded, who may not be able to be placed in some other permanent job. Right now what happens is that person ends up eventually probably being institutionalized and everyone loses. We really can find job opportunities for many of these people. One other general comment was made and I think Ms. Ladky, maybe it was in connection with your comments, and you made one other important contribution here that I want to comment on, and that is to shift from welfare over to this kind of a job situation. I think the public image is that people on welfare really, you know, kind of being on the gravy train really living the life of Riley. The average AFDC payment in Illinois for a family is $289. This program even at today's minimum wage, 32 hours a week, is $464 a month. Moving from $289 to $464 would be a tremendous lift for a great many people. But part of it also, and this is a point that you had mentioned, Ms. Ladky, I think has to be child care provisions, and it ought to be child care provisions that really enrich the children in the process so that we not only are providing custodial care but we are really doing something to lift our society.

Ms. LADKY. Can I just respond briefly on this issue of the extent to where people, like an on-status training type job and its benefit to public aid? It really goes back to the health insurance issue and the other kinds of medical and other forms of support that, for example, women who have AFDC get and this tends to be a complicated situation, and one in which minimum wage employment sometimes really does not compensate for the total picture that has to do with subsidized housing, medical benefits, and so on. And we have too many really terrible stories that we are hearing now about efforts to move people in cases, in many cases involuntarily, into employment that pulls the rug out from under them in effect because they lose those other subsidized benefits. And so we really have to look at this, I think, in its entirety.

Senator SIMON. I agree.

Ms. LADKY. And that is a concern we have.

Senator SIMON. Incidentally, you do know under this program you do not lose those medical benefits as you move onto one of these jobs which is absolutely essential.

Let me thank all of you very, very much for your contribution. As this moves along, we welcome your input. This, again, is not anything written into concrete, but clearly this nation could do much better than we are now doing and you are helping to move us in that direction.

Thank you very, very much.

I don't believe I see Tom Nayder here, our final witness. If not, and let me say to the high school students, I will just meet with you for five minutes and answer two or three questions. There will be several statements that may be submitted for the record. They will be incorporated at this point.

[Additonal material supplied follows:]

14 East Jackson Boulevard
Chicago, Illinois 60604-2245
Telephone 312-461-0800

UNITED CHARITIES OF CHICAGO

Chairman
L. Bates Lea

Vice Chairman
Robert J. Kelly

President
A. Gerald Erickson

Board of Directors
David B. Anderson
Edward K. Banker
Robert L. Berner Jr.
Judith R. Bassell
James J. Brice
Theodore H. Buenger
Michael J. Callahan
Robert C. Carr
Jeffrey Case
Richard H. Cooper
William W. Darrow
Jane S. Davis
James M. Durkott
Dwight W. Fawcett
Charles R. Feldstein
Peter O. Fetzer
Wade Fetzer
Marc C. Fohrman
Jon R. Fowler
Richard L. Fremgen
C. Gary Gerst
Robert N. Grant
Elizabeth D. Harrington
Denis J. Healy
Mrs. Wm. Bruce Hoff Jr.
Robert B. Holzkamp
Lawrence Howe
Samuel W. Hunt Jr.
Richard C. Hyde
Robert S. Karlblom
David A. Kelly
Donald G. Kempf Jr.
Richard R. Kilgust
Philip M. Knox Jr.
David E. Lipson
Richard J. Loewenthal
George Munoz
George G. Rinder
Albert Ritchie
Leon Robinson Jr.
Mrs. Gordon S. Scott
Richard F. Terry
Joan Tillman
Mrs. John P. Vale
Harry L. Vincent Jr.
William E. White Jr.
Goldie B. Wolfe
Mrs. John C. York

Chairman, Women's Board
Mrs. Melville C. Hill Jr.

Testimony On The Guaranteed Job Opportunity Act

Submitted to the Senate Subcommittee on

Employment and Productivity

United States Senate Committee on Labor and Human Resources

May 22, 1987

Chicago, Illinois

By:

Jan Drennan, ACSW

Coordinator of Services to the Unemployed

United Charities of Chicago

Good Morning: My name is Jan Drennan and I am Coordinator of Services to the Unemployed at United Charities of Chicago. United Charities provides services to over 45,000 clients annually, many of whom are economically disadvantaged. We provide individual, family, and marital counseling, financial counseling, and educational support groups to the unemployed. For 16 years, I have worked with unemployed persons with little or no previous work experience and with dislocated workers when factories in the Chicago area have had massive layoffs or closed completely. I presented my work with the unemployed, "An Agency's Response to Plant Closings" at the 1985 National Association of Social Workers Professional Symposium and it has been accepted for publication in the Social Work Journal. I welcome this opportunity to present my thoughts on the needs of the unemployed and Senator Paul Simon's Guaranteed Job Opportunity Act.

Unemployment is of major concern to the families we serve. As I see it, there are three groups of unemployed workers, all needing the dignity and financial rewards of a job. Yet, each group has distinct needs due to differences in their circumstances.

First are the unemployed who have no valuable work experience. These are adults who have never held a job or who have been repeatedly dismissed from jobs. Many of them desperately need a work opportunity to not only learn a marketable skill, but also to learn appropriate social skills for the work environment. By this I mean the importance of getting to work on time and meeting deadlines, the skill of effectively voicing concern to coworkers and employers, and the ability to understand and adjust to the typical expectations and decorum in the business environment.

The strength of the Guaranteed Job Opportunity Act is that it will provide much needed work experience to this group of unemployed people. For some, simply working at a minimum wage job will be sufficient to give them the opportunity to move out of the unemployment trap. But for most others, the Act must, in its implementation go beyond provision of minimum wage jobs.

These unemployed workers need child care, health care, basic education, training in a marketable skill, and individual counseling and educational support group experiences. They will need reimbursement for the costs of transportation and appropriate clothing. Sufficient funding for these services must be built into the budget line items for the Act. A recent General Accounting Office report on the Aid to Families with Dependent Children workfare demonstration projects documented that, while childcare assistance was available to participants in 59 out of the 61 programs surveyed, the median anount was $34.00 per participant. $34.00 would not be enough to pay for one week of day care services for one child in the Chicago area. There are already waiting lists for the Title XX day care slots for low-income families in Chicago so we cannot expect to rely on Title XX to pick up the slack in this area.

These workers will also need individual counseling and educational support group experiences to learn appropriate business attitudes, expectations, and behavior. Many are streetwise but not businesswise. For example, some of my clients in this group flare up in anger when criticized rather than dealing with the situation in a more constructive fashion.

The second group are the dislocated workers who are generally in their 20's, 30's and 40's. They lost their jobs due to a mass lay-off or plant closing. They have work skills and they know how to hold down a full-time job -- in fact they have done so for many years. And they have been making middle-class wages in many cases. They are accustomed to being self-sufficient. They are the workers who bought homes and now are in danger of losing them or have already lost them. (Foreclosures in Illinois increased 233% between 1980 and 1984.) The families suffer along with their breadwinners.

The minimum wage jobs proposed in the Guaranteed Job Opportunity Act will not meet the needs of these individuals and their families. What they need is retraining so they can move into industries which do have jobs in this country. A recent article in the Chicago Tribune noted that, in New York City, between 1980 and 1986, manufacturing jobs declined by 108,000 while service jobs, led by those in information processing that require higher levels of education, increased by 183,000. So, the jobs are there but the disclocated workers need retraining often along with basic education to gain access to the jobs. And these workers will need supportive services to ensure that they will be able to utilize the retraining opportunities --child care, transportation, and health care.

The third group are the dislocated workers over the age of 50. They are too young to retire with the help of social security and any pension benefits they take in their 50's are too small to live on. Some are uneducated and yet have been making middle-class wages due to seniority. Others are skilled middle managers who lost their jobs due to mergers and labor force cutbacks. Our country's social contract has changed on them. For most of their lives they worked in an era when a person was loyal to a company and retired from that company. Many of them have 20-30 even 35 years in the same company. Some go for retraining and some are qualified to move into similar jobs at other companies without retraining. But they can't find jobs. It is difficult to get hired when you are over age 50. Employees don't want to hire a person who will retire in 12-15 years with pension rights. Medical coverage is a big need for this group. They face personal health problems or the health problems of a spouse so the loss of medical coverage is felt keenly. Employers are reluctant to hire people who are high risks for raising the costs of group health insurance and life rates. They, too, are defaulting on their mortgages. This population typically has always been self-sufficient and has never or rarely utilized social services. Minimum wage jobs without quality health insurance benefits have no lasting value for these workers.

In conclusion, the Guaranteed Job Opportunity Act offers much hope for the unemployed who have no valuable work experience. Their success in taking advantage of the opportunity to be employed and to work towards a GED will depend on the availability of support services such as child care and educational support groups.If the Act, in its implementation, provides this component in sufficient quantities with adequate funding then this Act promised to be a great success.

We must not forget, however, the other two groups of unemployed workers: the younger dislocated worker and the over age 50 dislocated worker. These workers have contributed faithfully to the United States during period of growth. Surely, they deserve more than a minimum wage job during the current period of transition in the country's workforce. Thank you.

Otherwise, our hearing stands adjourned.

Senator SIMON. We thank you all very, very much for being here.

[Whereupon, at 11:00 o'clock a.m., the committee adjourned subject to the call of the chair.]

GUARANTEED JOB OPPORTUNITY ACT

MONDAY, JULY 27, 1987

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Seattle, WA.

The subcommittee met, pursuant to notice, at 9:40 a.m., in room 1110, Seattle Central Community College, Seattle, WA, Senator Paul Simon (chairman of the subcommittee) presiding.

Present: Senators Simon and Adams.

OPENING STATEMENT OF SENATOR SIMON

Senator SIMON. Our hearing will come to order. Let me just make a few opening comments first. It is a real pleasure to be here in the home state of Senator Brock Adams. Brock Adams is on our subcommittee. I serve on two committees with Brock Adams. He has done just a stellar job in grasping things very, very quickly on the Washington scene. And that did not surprise any of us, I might add, because of Brock's background both as a member of the House and as a Secretary of Transportation. It is a real pleasure to be here with him.

Let me also acknowledge Lieutenant Governor Cherberg. I was a lieutenant governor way back when. And that was at least 50 years ago when I was a lieutenant governor and John was a lieutenant governor then. It is really great to see an old friend. And I am honored to have you in the audience.

Our hearing today is about S. 777, a bill that would move dramatically on the unemployment problem in America. It is not the answer. There is no one answer. It is to supplement to increasing private sector employment. What we have to do is encourage private sector employment, insofar as possible, and to do the many things that need to be done to encourage that, and there is a great deal that can be done.

We tolerate a level of unemployment that many nations do not tolerate. Officially our unemployment level in this Nation is 6.1 percent. When you add the discouraged worker, what the Bureau of Labor Statistics calls the person who no longer is drawing unemployment compensation, no longer is looking for a job anywhere, that adds 1.3 million people. If you add those who work less than two days a week who want to be working full time, you have a little better than three million people.

If you work one hour a week, if you mow your neighbor's lawn once a week and you are paid $4 a week for it, you are not counted as unemployed.

The real unemployment rate is around ten percent. We have to do everything we can to encourage private sector employment. But we also have to recognize we have a bigger problem.

You have two trend lines in this country. One is the demand for unskilled labor which is going down. That trend line is not going to change. The second one is the pool of unskilled labor is gradually going up. That trend line can change, but it is not going to change quickly nor dramatically. That means that we have a sizable and growing pool of people who are not employed at the present time. We are not going to let them starve. So, we face a choice of paying them for doing something or paying them for doing nothing.

And my proposal—the Guaranteed Job Opportunity Act—and nothing is in concrete and we hope to have some suggestions here by the people here today of maybe ways we can improve it. What we say in this proposal is after you are out of work five weeks, you do not have to be on welfare, you become eligible for a 32 hour per week minimum wage job.

One of the mistakes I think that we make is we force people to become paupers before we help them. After you are out of work five weeks, if you cannot get a job in the private sector, there would be a job available for 32 hours a week at the minimum wage, or ten percent above welfare or ten percent above unemployment compensation, whichever is highest. We encourage productivity rather than non-productivity. A local committee of 13 people would selects the project on which people work; and either business or labor can veto the project so we do not have problems of interference with local business or substitution for labor unions.

And then you have a screening process so that we lift our people. If they come in and they cannot read and write—and there are 23 million Americans, adult Americans who cannot read and write. We get them into an education or training program. If they read and write at the third grade level, we get them into a program; if they cannot speak the English language, we get them into a program; if they have no marketable skill, we will get them into a program, so that we use this as a mechanism to lift the lot of our people.

Let me talk specifically about the Seattle area. In May of this year the unemployment rate for the Seattle metropolitan area was 5.9 percent, down from 6.5 percent one year ago. Washington State was 6.5 percent, down from 7.5 percent. Unemployment in Seattle's minority communities is acute: 12.7 percent among black Americans, 18 percent among Native Americans, and 7.1 percent among Asian Pacific Islanders, compared to 7.9 percent among whites.

Seattle has made gains. Yet in the metropolitan area there are 59,500 people—157,900 in Washington State—who want to work and cannot find it. And again that does not include what we call the discouraged worker, does not include people working part time who want to work full time. It is the human stories of these individuals that we have to focus on rather than simply statistics.

What would happen if we mobilized this potential work force of 59,500, made them wage-earning, tax-paying, self-supporting, and self-respecting citizens again? Well, the net result would obviously be an enriched community in every way.

You show me an area of high unemployment, I will show you an area of high crime, high teenage pregnancy, and a lot of other problems that afflict our society. We clearly can do much better. We ought to be turning the liability of unemployment into a national asset.

One very practical example. I was on a call-in program with a Peoria, Illinois station recently. And a young man called in, college graduate on welfare, very unhappy. Why not pay him to teach people how to read and write instead of paying him to do nothing? Everyone is ahead. What we somehow have to do is to convert the liability of unemployment into a great national asset. And it has been done before. We do not need to reinvent the wheel. The WPA and the CCC did this in the 1930's.

Now, our times are different and the program has to be different. But the basic idea that we encourage people to be productive—and, I would add, encourage them by giving them some hope. The great division in our society is not between black and white, Hispanic and Anglo, rich and poor. It is between people who have hope and people who have given up. Everyone likes to feel that he or she can contribute something to be better society. And I believe we can move in that direction. And that is what this program is all about.

[The prepared statement of Senator Simon, with attachment, follows:]

STATEMENT OF SENATOR PAUL SIMON (D.IL)
HEARING OF THE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY REGARDING S. 777, THE GUARANTEED JOB OPPORTUNITY ACT AND THE FUTURE OF EMPLOYMENT IN WASHINGTON'S CHANGING ECONOMY

JULY 27, 1987

I AM PLEASED TO BE IN SEATTLE TODAY AND TO JOIN MY FRIEND AND COLLEAGUE IN THE SENATE, BROCK ADAMS. SENATOR ADAMS AND I SERVE TOGETHER ON THE LABOR AND HUMAN RESOURCES COMMITTEE AND WE ARE BOTH MEMBERS OF THE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY. HE HAS BEEN A LEADER IN THE HOUSE AND IN THE SENATE ON THE WHOLE QUESTION OF ECONOMIC DEVELOPMENT AND EMPLOYMENT. I WANT TO PUBLICLY COMMEND HIM FOR HIS LEADERSHIP IN THE SENATE -- ON BEHALF OF THE PEOPLE OF WASHINGTON AND THE PEOPLE OF AMERICA.

THE SUBCOMMITTEE'S HEARING TODAY IS INTENDED TO CONTINUE A SERIES OF HEARINGS BEING HELD TO REVIEW A BILL I INTRODUCED IN MARCH OF THIS YEAR TO GUARANTEE A JOB TO EVERY AMERICAN WHO WANTS TO WORK. WE ARE ALSO HERE TO LOOK SPECIFICALLY AT THE STATE OF THE ECONOMY IN WASHINGTON STATE AND AT THE VARIOUS OPTIONS FOR REVITALIZING OLDER INDUSTRIES AND STARTING NEW ONES TO PROVIDE EMPLOYMENT FOR THE PEOPLE OF WASHINGTON.

WHETHER VIEWED NATIONALLY FROM THE PERSPECTIVE OF OUR NEED TO COMMIT THE NATION TO "PUTTING AMERICA BACK TO WORK," OR FROM THE PERSPECTIVE OF ENHANCING ECONOMIC DEVELOPMENT AND RE-BUILDING INDUSTRIES IN WASHINGTON STATE -- THE CRITICAL ISSUE MUST BE THE CREATION OF OPPORTUNITIES FOR PEOPLE TO BE GAINFULLY EMPLOYED AND TO HAVE RENEWED HOPE IN THE FUTURE.

S. 777 REPRESENTS AN OPPORTUNITY TO BRING NEW HOPE TO INDIVIDUALS WHO HAVE LOST HOPE; AN OPPORTUNITY FOR AN INDIVIDUAL WHO IS UNEMPLOYED TO BE ABLE TO SUPPORT HIS OR HER FAMILY AND TO MAKE A CONTRIBUTION TO THE COMMUNITY IN WHICH THEY LIVE; AND THE OPPORTUNITY TO BE AN ASSET, NOT A LIABILITY TO SOCIETY.

SEATTLE IS ONE OF THE GREAT CITIES IN THE PACIFIC NORTHWEST, PROBABLY THE GREATEST NEXT TO THE PLACE WHERE I GREW UP -- EUGENE, OREGON. THE MAYOR OF THIS FINE CITY AND THE GOVERNOR OF THIS STATE HAVE WORKED HARD TO MAKE SEATTLE AND THE STATE THE BEST POSSIBLE PLACE TO LIVE. THE SHIPBUILDING AND TIMBER INDUSTIRES HAVE BEEN PARTICULARLY HARD HIT BY UNEMPLOYMENT. OUR NATION HAS NOT USED THE RESOURCES OF THIS CITY AND THIS STATE -- LIKE MANY OTHERS THROUGHOUT AMERICA -- TO THEIR FULLEST. AS LONG AS THERE ARE UNEMPLOYED INDIVIDUALS WHO WANT TO WORK, WE HAVE AN OBLIGATION AS A NATION TO EDUCATE THEM, TO TRAIN THEM AND TO USE

THEIR SKILLS AND ABILITIES TO THE FULLEST. WE CAN DO A BETTER JOB OF PREVENTING UNEMPLOYMENT, AND WE CAN DO A BETTER JOB OF ELIMINATING UNEMPLOYMENT ONCE IT OCCURS.

IN MAY OF THIS YEAR, THE UNEMPLOYMENT RATE FOR THE SEATTLE METROPOLITAN AREA WAS 5.9%, DOWN FROM 6.5% ONE YEAR AGO (WASHINGTON STATE WAS 6.5%, DOWN FROM 7.5%). UNEMPLOYMENT IN SEATTLE'S MINORITY COMMUNITIES IS ACUTE: 12.7% AMONG BLACK AMERICANS, 18% AMONG NATIVE AMERICANS AND 7.1% AMONG ASIAN/PACIFIC ISLANDERS (COMPARED TO 7.9% AMONG WHITES). SEATTLE HAS MADE GAINS, YET IN THE METROPOLITAN AREA, THERE ARE 59,500 PEOPLE (157,900 IN WASHINGTON STATE) WHO WANT TO WORK AND CANNOT FIND IT. IT IS THE HUMAN STORIES OF THESE INDIVIDUALS THAT WE MUST FOCUS ON, RATHER THAN JUST THE STATISTICS. WHAT WOULD HAPPEN IF WE MOBILIZED THIS POTENTIAL WORKFORCE OF 59,500 AND MADE THEM WAGE-EARNING, TAX-PAYING, SELF-SUPPORTING AND SELF-RESPECTING CITIZENS AGAIN?

THE ANSWER IS SIMPLE -- WELFARE COSTS WOULD DECLINE; UNEMPLOYMENT COMPENSATION PAYMENTS COULD BE ELIMINATED; INCREASED REVENUE WOULD BE AVAILABLE FOR OUR SCHOOLS, FOR HEALTH SERVICES AND HOUSING; AND HOPE WOULD BE RESTORED TO THE LIVES OF THOUSANDS OF PEOPLE.

ALTHOUGH SOME BELIEVE THAT THE NATION'S DECLINING UNEMPLOYMENT RATE -- 6.1 PERCENT IN JUNE, A 7 1/2 YEAR LOW -- REDUCES THE NEED TO TAKE ACTION, I DISAGREE. AT LEAST 7.3 MILLION PEOPLE IN AMERICA ARE LOOKING FOR WORK--UNSUCCESSFULLY. AN ADDITIONAL THOUSAND FALL INTO THE CATEGORY OF "DISCOURAGED WORKERS" WHO HAVE GIVEN UP THEIR SEARCH.

WE HAVE LONG LIST OF DISTINGUISHED WITNESSES TODAY. I HOPE THE WITNESSES WILL REMEMBER THE TIME LIMITATION ON YOUR ORAL TESTIMONY. YOUR FULL STATEMENT WILL BE ENTERED IN THE RECORD AND IT WOULD BE HELPFUL IF YOU COULD SUMMARIZE THE MAJOR POINTS YOU WERE ASKED TO ADDRESS.

Simon Guaranteed Job Opportunity Program (GJOP)
S. 777
Section-by-Section Summary
March 19, 1987

Section 1--Short Title (Guaranteed Job Opportunity Act)

Section 2--Statement of Findings and Purposes

Section 3--Definitions

Section 4--Establishment of Program

Section 5--District Executive Council

1. Requires that eligible areas wishing to participate establish bipartisan District Executive Councils, made up of 13 members: four appointed by the Governor, four appointed by the mayor or chief executive of the largest municipality located in the eligible area, and five appointed by the chief executives of the county or other governmental unit comprising or located in the elgibible area to serve a 3-year term.

2. Specifies that no more than two members appointed by the mayor or chief executive may be of the same political party, and no more than three members appointed by the county chief executives.

3. Specifies council membership to include four representatives from the business community, four representatives of labor organizations, and at least one representative of the education community.

4. Allows the Private Industry Council (established under JTPA) to vote, by two-thirds majority, to be the District Executive Council. The Governor would appoint additional members to achieve balance similar to the make-up of the District Executive Council.

5. District Executive Councils select job projects, select administrative and support staff, select a manager for each project, and submit an annual report to the Secretary of Labor.

6. Requires that no more than 10% of the funds received by the Council be used for administrative expenses.

7. Defines eligible areas as localities with populations under 300,000.

Section 6--Program Eligibility

1. To qualify, participants must have a high school diploma (or equivalent) or be at least 18 years old; have lived in the

eligible area for at least 30 days; have been unemployed for 35 days; and be a citizen or otherwise eligible to work in the United States.

2. No more than two individuals may participate from one household.

3. To participate, an individual's earned income for the preceding year must be no more than $17,000, and the individual's family income for the current year must be no more than $17,000.

4. Participants in the job opportunity projects may not work in any job other than the assisted job for more than 16 hours per week.

5. Participants must demonstrate that they sought employment in the private sector during the 35 days prior to applying for participation, and will continue to seek employment during participation.

6. Individuals eligible for retirement benefits are not eligible to receive a job under this Act.

Section 7--Testing and Education Requirements

1. Requires that each participation be tested for reading and writing competence by the Council prior to employment.

2. Participants who fail to satisfactorily complete the basic competency test shall be furnished counseling and instruction.

3. Requires that job project participants maintain satisfactory progress toward and receive a secondary school diploma or its equivalent as a condition of participation.

4. Instruction in English may be provided to participants with limited ability to speak English at the discretion of the District Executive Council.

Section 8--Local Job Projects

1. Requires each District Executive Council to select job projects.

2. If two business representatives or two labor representatives on the District Executive Council object to a project, the project may not be selected.

3. Political affiliation may not be considered in selecting officers or employees of a District Executive Council or job projects.

4. No more than 10% of total expenses in any year may be used for transportation and equipment.

5. No more than one-tenth of the individuals employed in any job project may be employed to supervise the project. Supervisors may be selected without regard to requirements of Sections 6 and 9.

6. Requires that participants be employed on job projects for no more than 32 hours per week.

7. Requres that job projects be no more than 18 months long.

8. Project managers shall prepare and submit to the District Executive Council monthly progress reports.

Section 9--Benefits; Supportive Services; Job Clubs

1. Requires that participants be paid at the minimum wage or ten percent (10%) more than what they received in unemployment compensation or welfare, whichever is higher. Other assistance, such as child care and transportation, will be provided.

2. Requires that benefits and employment conditions be commensurate with similar jobs in the private sector (except that participants will not be eligible for unemployment insurance).

3. Provides that participants shall be eligible for support services, including transportation, health care, special services and materials for the handicapped, child care and other services which are necessary to enable the individual to participate.

4. Requires that District Executive Councils establish job clubs to assist participants with job search activities.

Section 10--Labor Standards Applicable to Job Projects

1. Requires that employment and training conditions be appropriate and reasonable in light of the type of work, geographical region, and proficiency of the participant.

2. Requires that health and safety standards be applicable to working conditions of participants.

3. No funds under this act may be used as contributions to retirement systems on behalf of participants.

4. No permanently employed worker may be displaced by any participant in a job project.

5. No job project shall impair existing contracts for services or collective bargaining agreements.

6. No participant shall be employed for a particular job with any employer when the employer has laid off an employee in that job or a substantially equivalent job, or when an employer reduces its workforce with the intention of hiring program participants.

7. No job may be created in a promotional line that will infringe on the promotional opportunities of currently employed individuals.

8. Labor organizations representing a substantial number of employees engaged in similar work or training shall be provided the opportunity to submit comments on project proposals.

9. Contractors or subcontractors of any project shall be paid the prevailing wage rate.

Section 11--Nondiscrimination

1. Projects funded under this act are covered under the Age Discrimination Act of 1975, section 504 of the Rehabilitation Act, title IX of the Education Amendments of 1972, and title VI of the Civil Rights Act of 1964.

2. Requires nondiscrimination in participation on the basis of race, color, religion, sex, national origin, age, handicap, or political affiliation or belief.

3. No participant shall be employed on the construction, operation, or maintenance of a sectarian or religious facility.

4. Participants shall not be discriminated against because of their status as participants.

5. When the Secretary discovers that a recipient has failed to comply with the law, the Secretary shall first notify the recipient and request compliance. Upon failure to comply after notification, the Secretary may refer the matter to the Attorney General or take other such action as provided by law.

6. When referred to the Attorney General, he may bring a civil action for such relief as may be appropriate, including injunctive relief.

Section 12--Evaluation

1. Requires that each District Executive Council establish and maintain an evaluation file for each participant, available to the participant monthly.

Section 13--Allotment and Allocation

1. Provides that the Secretary shall allot funds to states so that 1/3 of the funds are allotted on the basis of the relative number of unemployed persons in the State; 1/3 on the basis of the number of workers displaced by plant closings or mass layoffs for which data are available under Section 462(e) of JTPA; and 1/3 based on the relative number of individuals receiving public assistance in the State.

2. Provides that the Governor shall allocate 100% of the allotment to the State among District Executive Councils.

3. Provides that the DEC allotment will based on the following: 1/3 of the funds are allotted on the basis of the relative number of unemployed persons in the area; 1/3 on the basis of the number of workers displaced by plant closings or mass layoffs; and 1/3 based on the relative number of individuals receiving public assistance in the area.

Section 14--Administrative Provisions

1. The Secretary of Labor may set up rules as deemed necessary.

2. The Secretary of Labor may accept money, property, and services for use under this Act.

3. The Secretary may make grants, contracts, or agreements or otherwise allocate funds as necessary.

4. The Secretary of Labor may waive the testing requirement for physically handicapped individuals, and subject to a 2/3 vote of the District Executive Council, the requirement relating to the 32-hour work week for unusual circumstances.

5. The Secretary shall prepare and submit to the Congress an annual report of the administration of the act, including a summary of the achievements, failures, and problems, and including recommendations.

6. The Comptroller General and the General Accounting Office shall have access to documents needed for audit and examination of the program.

Section 14--Authorization of Appropriations

1. Authorizes $5 billion to be appropriated in FY 1989, $8 billion in FY 1990, and such sums as necessary in fiscal years 1991 through 1994.

'benefits vastly understated'

LEADING ECONOMIST LAUDS GJOP

[Testimony of PAT CHOATE, Director of the Office of Policy Analysis, TRW, in testimony on March 6, 1987, before the Senate Subcommittee on Employment and Productivity:]

MR. CHOATE: (Addressing Chairman Simon) Now, as to the fourth and the core part of the book on the guaranteed job program, I fully agree with that need.

We are not, as Dr. Carnevale says, going to be able to make the adjustments that are necessary to get people into the workforce unless those jobs are there. And we are talking about in the final analysis really only a marginal cost for great benefits.

I think the fact of the matter is that you vastly understate in your book the benefits that would be created.

Several years ago, I did a series of studies on infrastructure and wrote a book on that topic. In your book, for example, when you talk about the investment in infrastructure, you talk about a level of investment of $7 billion a year. When one takes a look at the deteriorating infrastructure, what you find is that we have a backlog of a minimum of $1.5 trillion of infrastructure across the country. And when you talk about thousands of water and wastewater treatment systems that need replenishing and rebuilding, I think we can go farther than that.

What we can say today is that half the communities in this country are out of the economic development business because their water and wastewater treatment systems are at full capacity; they cannot expand and maintain their enviornmental activities.

In the book, on the benefits that you describe, you describe the jobs that would be created in the local community in the service industries -- the butcher, the baker, the barbershop. I think that when you run those numbers out that you will find you will get a multiplier of about 1.7 or 1.6 of the wages that are created by the program, and since those are minimum wage jobs, for every job that you create under this program, you will create an additional job or safeguard at least one additional job in the community.

But that is not where the major jobs are going to be created. One of the things we learned in going back and studying the public works programs and taking a look at 18 different categories of public works is that for every job that is created in direct construction, there are on average two to three jobs created upstream in the steel, materials and equipment and service-related industries. These are the industries at the same time that are also experiencing great difficulties.

By putting in the provision of buying materials from America, not only will you deal with people who are facing stress, who need to get into the workforce; you begin a longer-term process of, in a real sense, safeguarding hundreds of thousands of other jobs across the country.

LEADERS

Guaranteed Jobs for Americans

Paul Simon

by Paul Simon

In 1946, when President Truman signed the Full Employment Act, the nation committed itself to the idea that every American who wants to be a productive member of society should be guaranteed that opportunity.

Truman was worried when about one million people were out of work. Forty years later, with 10 million people unemployed, the hope and promise of that act remain unfulfilled.

Now, the 100th Congress can add flesh to the bones of that 40-year-old promise by passing the Guaranteed Job Opportunity Plan I will soon be introducing.

The Problem

Unemployment will not disappear by wishing it away, by a policy of drift and hope or by making pious speeches about it. We need to march on the problem because a massive waste of humanity is taking place each day, and that waste is slowly but certainly eroding our economic future.

The nation heard editorial cheers when the unemployment rate dropped to 7.2 percent for 1985, but between the Great Depression and 1980, there were only two years (1975 and 1976) when the unemployment rate was that high. Although there has been some month-to-month variation in joblessness, the overall unemployment rate has increased by more than one percentage point each decade since 1950.

Nothing straps our future as much as our failure to use our human resources more fully. Why has Japan made such tremendous strides, moving from a per capita income that was 5 percent of the average American's income in 1959, to one that reached 67 percent in 1984? Japan, a nation the size of California, with half our population, has few natural resources. Yet Japan has surpassed most nations in economic growth by developing ideas and human potential. Japan has announced a goal of having the world's highest per capita income by the year 2000, and few contest that possibility.

For the United States to fail to understand the need to develop ideas and human resources much more fully is not simply economic folly; it is causing untold and needless agony across this good and rich land. Unfortunately, most of us don't see the agony. It is a stranger to most Americans because we do not know it personally. We may experience it slightly through seasonal unemployment, through a temporary layoff or through a temporary transition period, but we do not experience the hard, real thing. Even if we do not encounter joblessness in its full harshness, it touches us every day in a multitude of ways. We face the indirect spin-offs from unemployment: high crime rates, and tax money going to welfare, prisons and unemployment compensation. But, for most of us, the confrontation with unemployment's grimness is distant and indirect.

Unemployment leads to poverty, and the poverty statistics are not pleasant. In 1984, one in every seven Americans lived in a family whose income fell below the poverty line of $10,609 for a family of four. In 1968, the poorest fifth of American families had 91 percent of the money needed for basic requirements, but 15 years later that had fallen to 60 percent. Most of the poor are white, but blacks are three times as likely as whites to live in poverty. Hispanics are more than twice as likely. Thirty-four percent of those living in female-headed families are poor. The only good news in poverty statistics is that the percentage of elderly Americans living in poverty is declining. The problems of older Americans are being alleviated by Social Security and other programs like supplemental security income. For the non-elderly poor in our midst, the main answer must be jobs.

In all, we have at least 10 million people who are unemployed or significantly underemployed (that is, working two days or less a week when they want to work full time). Ten million people is almost twice the population of Switzerland. Fortunately, one-third of that 10 million are unemployed for less than 30 days, but the average length of unemployment had grown to more than 15 weeks by 1985.

From 1979 to 1984, 11.5 million Americans lost their jobs because of decreased demand for products or services or because plants shut down or moved or modernized production techniques. Of that 11.5 million, more than a million have simply dropped out of the labor force. They are no longer counted among the unemployed. Of those who were able to find new jobs, over half found themselves earning less money.

The Federal government estimates that more than 2 million women who were homemakers have suddenly found themselves divorced or widowed or abandoned. They generally have little or no paid work experience, in terms of a nine-to-five job. Almost half of these women are either alone in their poverty or part of a family with a total income below $10,000. They often have an extremely difficult time getting a job.

What is true politically is that the gravity of what unemployment means to those who face joblessness has not penetrated deeply, nor is there a widely held belief that government action can do much to change the picture.

The Rev. Dr. Martin Luther King Jr. once said, "In our society it is murder, psychologically, to deprive a man of a job or an income. You are in substance saying to that man that he has no right to exist."

[CONTINUED - OVER]

Unemployment Is Expensive

When we fail to provide employment, the costs reach far beyond the jobless.

Not surprisingly, areas of high unemployment are also areas of high crime. The cost of crime in economic terms is huge. The cost of crime in agony to the victims is even greater. One in every 40 black men born in the United States will be murdered; one in every 131 white men will be murdered.

Children who grow up in families where no one works do not learn basic attitudes and work habits that are essential to performing effectively in our society. In a real sense, unemployment can be "inherited."

The cost of joblessness in family breakups and child abuse is overwhelming, as studies have shown.

Business is harmed by unemployment. People who do not work do not buy new air-conditioners or suits. Tax incentives to stimulate business investment are sometimes effective, but creating an economic climate in which people are working and buying always stimulates the economy.

The Federal budget suffers. President Reagan estimates that one million unemployed people cost the Federal government $28 billion. Others in his administration estimate the cost to be $35 billion. Let's be conservative and say that Federal spending for food stamps, welfare, unemployment compensation, Medicaid and other programs, plus loss of revenue, amounts to $25 billion for every one million unemployed. If we had programs to reduce the number of unemployed from 10 million to 5 million, the net savings to the Federal government would be $125 billion, using the most conservative figure.

Those who are unemployed feel left out of society. They do not have a feeling of contributing or belonging.

The nation should not tolerate these costs. Our nation's highest commitment must be to guarantee a job opportunity for everyone who wants to work.

The Solution

I come to the conclusion that our free system can eliminate unemployment if we try, and we must try. We have to place a higher priority on putting people to work. Why is Japan's unemployment rate 2.6 percent, Italy's 6.0 percent, Sweden's 2.8 percent and Switzerland's less than one percent, when our's hovers around 7 percent even with our generous-to-the-government way of calculating it? The major reason is that these countries have made putting people to work a priority.

The Guaranteed Job Opportunity Plan is a project-oriented program that draws on some of the successes of the Works Progress Administration (WPA) devised by President Franklin Roosevelt. My plan provides for locally developed and administered job projects that pay either the minimum wage or 10 percent above welfare or unemployment compensation for 32-hour work weeks. Testing, tutoring and counseling would equip participants with skills that would improve their chances of finding jobs in the private sector.

Local boards would propose and oversee the projects, among which might be found sidewalk construction, teaching illiterate adults to read and write and park landscaping.

Much of the plan's cost would be offset by savings in welfare and unemployment compensation costs. One estimate sets the program's cost at $8 billion, which is less than one-fourth of the *increase* the White House set last year for defense spending alone. As a society, we have already made the decision that we will not let our citizens starve when they cannot find work. Now we face the choice of paying them for being productive or paying them for doing nothing. For them and for the nation, it makes infinitely more sense to help them become full, working partners in our society.

An opportunity to work gives people self-esteem, something we all need. People without self-esteem cannot convey self-esteem to their children; people without hope cannot give hope to others. After more than three decades of public life, I have learned that the great division in our society is not between black and white, Anglo and Hispanic, Jew and gentile or rich and poor, but between those who have hope and those who have given up. For too many in our society, hopelessness and joblessness are the same.

The Guaranteed Job Opportunity Plan would convert the national liability of unemployment into a national resource. Job opportunity for all can and should be the next great step forward we take as a society. The solutions are at hand. What we need are the resolve and the vision to use them. ●

Paul Simon, a Democratic Senator from Illinois, chairs the Senate Subcommittee on Employment and Productivity.

INQUIRY

Topic: JOBS FOR ALL

Paul Simon, 58, a Democrat from Illinois, was elected to the U.S. Senate in 1984 after serving 10 years as a member of the U.S. House of Representatives. He is the author of Let's Put America Back to Work *and 10 other books. Simon, a former newspaper publisher, was interviewed by USA TODAY's Barbara Reynolds.*

Sen. Paul Simon

Pay people to work; it makes more sense

USA TODAY: On Tuesday, you plan to submit a bill to Congress calling for a Guaranteed Jobs Opportunity Program. Why do you think it's needed?

SIMON: You have two trends in this country. One is that the demand for unskilled labor is going down. And that isn't going to change. The second is that the pool of unskilled labor is going up. That can change, but it will not change dramatically or quickly. That means that this very stable pool of unemployed that we have in our country is going to continue to exist, and we're not going to let them starve. So we face the choice of paying people for doing nothing, or paying them for doing something. It makes infinitely more sense to pay people for doing something.

USA TODAY: How would the bill work?

SIMON: Anyone who's out of work for five weeks or more would have to show that he or she tried to get a job in the private sector and was unsuccessful. And then they would be paid to work for 32 hours a week at the minimum wage, which is $107 a week, or $464 a month.

USA TODAY: That's not much.

SIMON: But the program also provides that they would receive 10 percent above any welfare they were receiving, or 10 percent above unemployment compensation. So, basically, we would pay people for being productive rather than non-productive.

USA TODAY: What sort of jobs would they be doing — building bridges or repairing roads?

SIMON: That might be part of it. The project could be teaching people how to read and write. You have 23 million functionally illiterate adult Americans. The project might be helping in day-care centers. It might be planting trees. It might be repairing sidewalks. It might be cleaning graffiti off a subway. It doesn't take long for three or four creative people to come up with 100 different projects in any community.

USA TODAY: In the future, a large percentage of jobs will require computer and other high-tech skills. Why equip people for dead-end jobs?

SIMON: As people come in, they will be screened. If they don't know how to read and write, we'll get them into programs to help them. If they read and write at the third-grade level, we'll upgrade them. If they don't have a marketable skill, we'll give them a marketable skill. Everyone doesn't need to learn how to run a computer. In the next 10 years, there will be more demand for janitors than there will be for computer operators. People who clean up, pick up the garbage, and do a lot of other things are frequently doing much more to help society than a lot of people with white collar jobs who talk disdainfully about dead-end jobs.

USA TODAY: Still, doesn't your bill resemble that pie-in-the-sky, George McGovern era of "give everybody $1,000" that the Democrats would rather forget?

SIMON: Recently, I met with a group of business people about this very subject. There were about 40 people there. When I came in, I got polite applause. When I left, they gave me a standing ovation. They're intrigued by the idea. One of the leading businessmen in Illinois talked to me about it recently. I said, "How much do you spend on unemployment compensation?" and he said, "Millions." I said, "Do you enjoy spending it?" And he laughed. Clearly, we could do a lot better. The idea of paying people for being productive rather than non-productive appeals to conservatives as well as to liberals.

USA TODAY: There was a great groundswell of support for the Humphrey-Hawkins Act several years ago, which called for full employment at 4 percent, but then Congress refused to enforce it. How would this bill be any different?

SIMON: I was a co-sponsor of Humphrey-Hawkins, and I was out there fighting for it, and it was still the right thing to do. But Humphrey-Hawkins just establishes goals and says the president should outline to us what we should do to provide jobs to bring unemployment down to 4 percent. We get something on a piece of paper, but there is no mechanism for actually providing the jobs. It is a good thing, but it has not produced the jobs. My bill actually provides the mechanism. It doesn't go into theories at all.

How plan would work

The Simon proposal, the Guaranteed Job Opportunity Program, would work like this:

- The governor of each state would appoint a committee of seven to hold hearings on what the appropriate governing districts within the states should be. They could be the same geographical districts that the Private Industrial Council of the Job Training Partnership Act now has, or they could be different.
- Jobs would be provided on a project-by-project basis, following guidelines on the projects established by the secretary of labor.
- To be eligible to work within a district, a person must have resided there at least 30 days and must have been out of work at least 35 days immediately prior to employment under this plan.
- No more than two people in any one household would be eligible for a job. No one in a household with more than $17,000 annual current income would be eligible.

USA TODAY: How much would this jobs program cost taxpayers?

SIMON: At the most, $8 billion a year. Now, that's a lot of money. But, I would add, that's one-fourth of the increase we were asked for in defense spending last year. It is less than 1 percent of the total budget, and there are going to be very substantial savings in welfare, in unemployment compensation, and in a host of other things. The human misery that we cause through this unemployment is just almost beyond calculation.

USA TODAY: What did your interviews with unemployed people tell you about the costs of *not* putting people to work?

SIMON: I tried to put flesh and blood on unemployment. To hear that 10 million people are unemployed doesn't affect us. But when you're talking to this guy in Hanover Park, Ill., who's 53 years old and who faces a family crisis, whose daughter is threatening to commit suicide, then, all of a sudden, it's real. I think of Willie Morris, in my book, who lived with his mother and five younger brothers and sisters and who was desperate for a job. When I talked to him, he said, "Last week, I didn't eat two days. My mother doesn't know it, but I didn't want to take food away from my younger brothers and sisters." That should not happen in this good and fine and rich country.

[CONTINUED - OVER]

USA TODAY: Statistically, what is unemployment costing the USA?

SIMON: There are all kinds of costs of unemployment. Every 1 percent of unemployment costs between $25 billionand $35 billion a year. The National Academy of Sciences has released a study showing that last year there were 1 million teen-age pregnancies in this country. Wherever you have high unemployment, you have a high teen-age pregnancy rate. There is a tendency for whites to think of teen-age pregnancies as a black phenomenon. As you look down the list of counties of high unemployment in Illinois that are either all white or virtually all white, you see exactly the same thing. The crime problems that come from unemployment — all kinds of things that we tolerate needlessly because of poverty and unemployment.

USA TODAY: Isn't a certain amount of unemployment an acceptable way to reduce inflation, such as what happened in 1981?

SIMON: There are those who favor a reasonably high unemployment rate because they feel it would retard inflation and get the economy in better shape. The reality is, we're much better off in our economy if we don't have the huge peaks and valleys. One of the things that has happened with unemployment compensation, with Social Security, with our welfare programs, is that you don't have the extremes in poverty. Under my bill, that would be lessened even more because you lift a lot of people at the bottom. There is no one in this country who's out of work who wouldn't be a little better off under my program than they are right now, and when that person is better off, then he buys groceries at the grocery store, hardware at the hardware store, and the whole economy gets stimulated.

USA TODAY: Even though unemployment is double-digit in most black and Hispanic communities, it doesn't seem much of an issue elsewhere. So why make a fuss about it now?

SIMON: You are correct in that, because we have accepted basically two myths. The one myth is that unemployment is a little bit like the weather and there's nothing you can do about it. That's totally false. The second myth is that anybody who really wants a job can get a job. And that is also totally false. Switzerland has an unemployment rate of less than 1 percent, Japan has 2.6 percent, Italy's is less than ours, Austria's is less than ours — you just tick off the countries. Why? Because they have made a priority out of putting their people to work. And we ought to make a priority out of it, too.

USA TODAY: Shouldn't our fiscal and trade policies be changed in an effort to boost employment?

SIMON: There are three fundamental areas where we have to improve our policy, in addition to the jobs bill. One is education. We have to stress this a lot more. We have to give people greater opportunity, particularly in central-city schools and in some of the poorer rural areas. The second is trade, where we have to face up to major problems we have in that area. And the third is fiscal policy. We've got to move away from the deficit. If we don't get that deficit under control, then you're going to see unemployment simply mushrooming.

USA TODAY: Do people really care about such things as the national debt?

SIMON: Over the last six years, you've had this increase in outlays by the federal government in the four major categories. Defense has grown 88 percent, entitlements, things like Social Security, have grown 56 percent, discretionary non-defense items have grown 20 percent, and interest has grown 240 percent. A higher and higher percentage of our tax dollar is going for interest, and I don't care whether you're liberal, conservative, Democrat, Republican, that just doesn't make sense. We're getting to the point where we're really in jeopardy. In the last three years, we've moved from becoming the No. 1 creditor nation to being the No.1 debtor nation. And sooner or later, we're going to run into problems.

USA TODAY: Don't you risk being sneered at as too liberal for drafting this kind of legislation?

SIMON: The difference between real leadership and just drifting along is a willingness to stand up and do some things that may not be popular, or may be new and different. For example, there is no popular way of solving the deficit. And the real question is whether we have the courage to stand up and do some unpopular things. Some people are going to have to stand up and stick their necks out a little bit, and if I weren't willing to stick my neck out, I shouldn't have been elected to the United States Senate.

By Susan Harlan, USA TODAY

Senator SIMON. Before we call on our first witnesses, let me call on my colleague, Senator Brock Adams, for any further comments he wishes to make at this point in the way of an opening statement, and then we will hear from our witnesses.

Senator ADAMS. Thank you very much, Senator Simon. I will ask unanimous consent that my statement may appear in full in the record.

Senator SIMON. It will.

OPENING STATEMENT OF SENATOR ADAMS

Senator ADAMS. I would like to welcome all of our witnesses and guests this morning to the Senate Labor Committee's hearing on "The Future of Jobs in Washington's Changing Economy." I would also like to extend a special welcome to Senator Paul Simon of Illinois, who will be chairing the hearing today.

I am pleased to serve with Paul in the Senate. But I worry about how long I'll be able to serve with him. After all, he has a history of changing jobs: he has been a journalist, the author of eleven books, a Congressman, a U.S. Senator—and I hear he's looking for yet another new job. I don't know where he will be working in 1988, but I do know that wherever it is, he'll be giving us the same kind of leadership in the future that he has in the past. And he'll be leading on the issues that matter most to us: issues like education, hunger, and the problems of unemployment. His recent book, "Let's Put America Back To Work," argues that if this country is to be competitive and productive, then people must be put back to work. He has introduced legislation that forcefully puts forward his position entitled: "The Guaranteed Job Opportunity Act."

Our hearing today will focus on this important legislation and the economic future of Washington State.

There is no point in beating around the bush: all of us are concerned about the economic situation in Washington State. Industries, individuals, communities—all are facing difficult times. The news out of the Lockheed Shipyard and Goldendale Aluminum suggests that the economy of our state is going through a difficult transition. And it isn't an isolated or localized problem: our state's unemployment rate has topped the national average for years. In too many areas individuals are losing their jobs and communities are losing their economic base due to downturns in shipbuilding, aluminum, timber, and other traditional industries.

We are also seeing downturns in communities dependent on Federal facilities and contracts such as the Tri-Cities. Throughout this state, thousands of men and women are making important contributions to this country's military and national security. If contracts are cut back or facilities are closed, this country has an obligation to make a contribution to help the people who are effected.

That is why I am currently developing legislation that would require the federal government to assist communities by providing funds for economic development and diversification planning when Federal contracts are canceled.

Currently the federal government makes "training" money available. But communities whose economies are linked to federal contracts and facilities face a peculiar "training for what" problem when federal programs are terminated. You can't help dislocated workers in towns like these by training alone—they are already trained—you have to create new jobs. In order to do that, we need to utilize available state and federal economic development tools creatively. The bill I am working on will, I believe, help us develop a link between training and economic development.

Let me make one final point: the workers and the communities who are effected by the changes in our state's economy need help. But they aren't getting it from the current Administration.

Since 1981, significant reductions have been made in federal programs like the Community Development Block Grants, Urban Development Administration's Grants and the Economic Development Administration's grants—programs that have assisted distressed communities with job creation ventures.

Our failure to provide the kind of help that people need bothers me. It bothers me because it means that people suffer. It bothers me because it means that communities suffer. And it bothers me because something in the American spirit, in our national sense of values, suffers as well. You see, I grew up believing in the work ethic. I believe everyone in this country should have the opportunity to work and earn a decent wage and provide for their families and also their communities. That is what America is all about. And that is the opportunity that too many Americans are missing. I hope this hearing can contribute to the process of restoring that opportunity.

So, Senator Simon, welcome. We are looking forward to the hearing. And we are pleased to be able to provide the opportunity so that you can hear from the people of our State.

Senator SIMON. And I thank you again, Brock, for your hospitality and for your service on our committee and subcommittee.

I would like to mention for all witnesses, we would like to limit your statement to five minutes. We will put your statement in the record. If you can informally—and we will gently tap the gavel here when we get to the end of five minutes—if you can conclude then, we would like to save time for questions.

Our first is a panel made up of Mike Fitzgerald, Director of the Washington State Economic Development Board; Larry Kenney, President of the Washington State Labor Council; and Max Vekich, a member of the State Legislature. If the three of you can take the spots here, we would appreciate that. And anything you wish to say in the way of special welcome to any of the witnesses, I would be pleased to yield to you.

Senator ADAMS. Thank you, Senator. We are very pleased to have this panel with us. Mike has been in charge of developing our State's future economic development strategy. Larry's full time job is economic development and employment, as President of the Washington State Labor Council. And Max is a specialist on these issues in the legislature. So, we are looking forward very much to your testimony. Thank you, Paul.

Senator SIMON. Great. Mr. Fitzgerald.

STATEMENTS OF MIKE FITZGERALD, DIRECTOR, WASHINGTON STATE ECONOMIC DEVELOPMENT BOARD; LARRY KENNEY, PRESIDENT, WASHINGTON STATE LABOR COUNCIL, AFL-CIO; AND THE HONORABLE MAX VEKICH, MEMBER, WASHINGTON STATE HOUSE OF REPRESENTATIVES

Mr. FITZGERALD. Mr. Chairman, Senators: Thank you for the opportunity to appear before you today. I have submitted copies of our report and my testimony to your staff, and that will provide you the numbers and the documentations of much of what I am going to say today. In my five minutes, what I am going to do is just to provide you a very quick overview of where we think the Washington economy is at and is going, and then a word on your bill, Senator Simon. And then, of course, I will be available for any questions you might have.

The board that I represent, the Washington State Economic Development Board, is chaired by Governor Gardner. It represents about 20 private citizens throughout the State, representing various categories and geographical areas throughout Washington, as well as the six department directors in charge of development, and four state legislators. It was commissioned by the Legislature. So, we report to the Legislature.

In just a statement, what it is we are trying to do can be summed up in three words: jobs, people, and the future. That is what we are really zeroing in on and what is happening now in the economy, what should we be doing, what kind of initiatives, both from the public sector and the private sector, should we be taking to change, to take advantage of the restructuring that is going on, to increase productivity, to increase our competitiveness in the global economy, and to create more jobs.

What we spent some time doing—and you gentlemen highlighted or hit upon it today—is to try to understand as best as we can what the forces affecting change in the economy are as well as what the manifestations of that change are so that when we construct new public policies, based on either legislation or simply executive actions, as well as private initiatives, either through new economic development organizations, new business development groups, whatever those might be, that we have a clear and hopefully comprehensive understanding of what is going on so we are countering it and we are dealing with the cause, not just the manifestations. What is clear to us now is that the forces that are driving change in the U.S. economy and really throughout the industrialized world are very dominant and are very clear here. The switch from a manufacturing or a mass-production market to a specialty market or specialty production and niche markets, the shift from manufacturing-based employment to service-based employment, the shifts from resource areas to urban areas and population centers, the shift of fortunes from the Atlantic basin to the Pacific basin, the shift in spending and priorities and support from the Federal Government to the State government and even now to the local governments, are dominant and clear here. And those in turn are driving enormous changes in our economy.

Some of the things that are going on here, like elsewhere in the country, are very positive and hopeful. Some are disastrous and may be long term. And I would like to just highlight those quickly, if I might.

The proximity of this State to the Pacific basin has—over the last 20 years particularly, but really over the history of the State—provided enormous opportunities and growth in relationships with Asia. This is about a $70 billion economy now, total personal income or State gross product, if you will. Virtually $34 billion of that is export-import trade, and only about 30 percent of that starts or stops here. As that trade is passing through our State economy, it is supporting a burgeoning service sector industry.

When one looks at the growth of the Pacific basin countries, most of which have been the fastest growing in the planet over the last decade, the average growth of those, ranging between 5 and 7 percent, almost equates directly with the growth of trade in the State of Washington over that same period of time and for the reason that those states are this State's largest trading partners. The tie to the growth of the Pacific basin with the State of Washington is direct and it is very impactual.

That in turn is driving positive trends here. It has increased markets for product. It has increased investment in the State. There are about 404 firms that have direct investment here, about $4 billion. It has ended up that we have a lot of tight relationships between that part of the world and this State that benefited in many, many ways beyond economically.

Small business is the other area that is crucially important to the State's economy. We now know that virtually 80 percent of all the new jobs being created in the State of Washington, which is virtually mirroring the United States, are being created by small businesses. Most of those businesses are less than 100—and many of them are less than 20—in employment numbers. And most of those small businesses are in the service information sectors of the economy.

That is a positive trend. This State is creating new small businesses at a faster rate than the national average. However, for reasons that are yet unknown to us, we also have higher bankruptcies than the national average, and we do not know what the causes of that might be. We believe the tax system has certainly contributed to that because it is particularly onerous for small businesses, particularly new business; but we do not know. We are still working on that.

The other trend that is a bit disturbing is that we seem to be, like the national dynamics, chipping away at eliminating the middle class income that, with this shift from the manufacturing-based employment, from the resource-based employment, that are traditionally high paying jobs, the shift to the service sector industry, even though the job proliferation is good and it is important and we are lucky to have it, the income in those areas is many times one-half or one-third what it has been in the other sector.

This is a growing concern in this State, and it is the major contributor to the lowering of the State's per capita income, which over the last 25 years has been ten percent higher than the national average. We have dipped below the national average, and now we have climbed back to the national average, and it is too early to know if that is a long-term trend. But if it is, it is very disturbing and one we are going to have to figure out a way to counter because it means you are eliminating the income of the middle class of this State and maybe the Nation. And of course the implications of that I am sure you are all struggling with as well as we.

The State has many, many assets in this geographical location. The labor productivity has been higher here than the national average for the last 25 years. The education level of the people is higher than the national average: fifth in terms of elementary education, ninth or tenth in terms of higher education, directly related to, we believe, the high productivity. And that is the other key point that we found, and it is not unlikely that people are discovering all over the Nation that education—and I mean that in the generic sense, not just formal education—education and training seems to be the single most important ingredient in terms of competitiveness, to have well educated, smart, knowledgeable, flexible, adaptable people, willing to take initiative, willing to take risks on the job and in their own lives, and management systems that support that. That is another key ingredient, looking at the future of this State.

So, trade, nurturing an environment for small businesses—developing technology is the other one. This State has been a leader in the United States among the top ten in terms of developing and applying new technology and direct jobs relating to that technology. That is another key area. To sum up, what we believe seems to be so clear--and the numbers are in our report to document this—that the keys to really reconstructing the economy here, taking advantage of the strengths, minimizing the weaknesses, and ensuring this State is economically competitive in the long term over the next 15 years in the global economy, seems to be a combination of redoing our educational system from K through 12, up through the university systems. The employment of training programs have taken on an enormous new importance. We are in the process of documenting how much that is. But what we now know is education, retraining, is now an evolutionary process. It will have to be continuous, ongoing. You cannot retrain somebody and hope they are good for 10 or 15 years. They simply will not be. The jobs are changing too fast. It is a constant evolutionary process.

Likewise with the management of companies. And this is no less important for education and the university system.

Senator SIMON. If you can conclude because you are at the end of your time, within a minute or so.

Mr. FITZGERALD. The last word on your bill, I think your bill is a very good idea. I think it is going to be very hard to implement; $8 billion is a big number. But it is needed. And what we ought to be driving for in this State and in this country is no acceptable level of unemployment. We ought to be pushing for no unemployment. If people do not have a job, they do not have an identity. And there is all kinds of implications to that. That is what we are driving for in our project. And I encourage you to proceed. Maybe it is possible to implement it incrementally. My final recommendation is, if you do, I suggest you start with a pilot project that is well funded in Washington, and we will help you experiment with it.

Senator SIMON. We thank you very, very much, Mr. Fitzgerald, and your prepared statement will appear in the record.

[The prepared statement of Mr. Fitzgerald follows:]

SUMMARY
BRIEFING NOTES

TESTIMONY
BEFORE THE
SENATE SUB-COMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
SB 777

By
Mike Fitzgerald, Director
Washington State Economic Development Board
Sea-Tac Office Center
18000 Pacific Highway South, Suite 408
Seattle, Washington 98188
(206) 764-4090

Monday, July 27, 1987
Seattle Central Community College
1701 Broadway
Room 1110

Board Background:

Purpose: Create a long-term economic development strategy for Washington by 1989.

Members: 18 citizens, 4 legislators, 6 state directors (list attached).

Process: Diagnosis Jan 86 - July 88
Vision (Preferred Future) Jan 87 - Jan 88
Plan of Action (strategy recommendations) Jan 87, 88, 89 - Finalize - Terminate Board July 1, 1989

Why?

- Globalization of the economy
- From 1979 to 1983 Washington had 20 consecutive quarters of rising unemployment
- 22 counties are designated "Distressed Areas," areas where unemployment has been 20% above the state average for 3 years

Economic Development Defined:

To facilitate a deliberate effort by the public and private sectors to increase the standard of living and quality of life in communities throughout Washington.

Trends:

- Mass production/mass markets to Specialty production/niche markets (from steel to vegetables)
- Industrial/manufacturing to Services/Information
- Resource economy to urban areas
- Fed to state to local (Declining federal $--responsibilities and initiatives)
- Big to small business (employment growth)(exception is Boeing)
- Atlantic to Pacific
- U. S. Economic political domination to one of many
- Globalization of the economy, e.g., Boeing (4000 suppliers in 38 countries--the rule not the exception)

Drivers of Change:

- International competition
- Tech and information
- Rising educational level and productivity in developing countries

Washington Strengths and Weaknesses

Strengths:

1. Pacific Rim location, trade capacity and port system - Washington is now in the center of the most economically dynamic region in the world, the Pacific Basin.
2. Highly educated and productive work force.
3. Diverse, climate, environment and natural resources.
4. Quality of life.
5. Tradition of public/private cooperation.
6. Low-cost energy.
7. Leading businesses and industries that provide foundations for the future, e.g., Boeing, Weyerhaeuser, Paccar, Fluke, Microsoft, Physio-Control, etc.

   Note: In 1985, compared to the five Pacific Northwest states, British Columbia and Alberta, Washington was the engine of the region. Of the net new jobs in this region 62% were created in Washington, which has only 30% of the regional population and 29% of the regional work force.

Weaknesses/Challenges:

1. Location - distance from U.S. markets.
2. Waning education funding and quality.
3. Vulnerability to protective trade legislation.
4. Dependency on aerospace and federal fundings.

5. **Declining personal income.**
6. **High unemployment - distressed areas.**
7. **Lack of a competitive and even tax system.**
8. **Threats to quality of life; water quality, hazardous wastes, transportation congestion, air quality, etc.**

Internationalization of Washington Economy:

- $34 B EX-IM trade/$70 B - G.S.P.
- One in 5 jobs is trade related
- Sea-Tac ports among top 10 in world
- 400 foreign corporations in state
- at $3.8 B Investment (25th or 26th in U.S.)
- 7th in Japan investment (@ $890 mm)
- 31 consulates
- 30% - 40% agr. production is exported
- Boeing and Weyerhaeuser among biggest U.S. exporters
- 1.83 mm foreign travelers in 1983 4th highest in U.S.
- Highest per capita income from trade in U.S.
- With an aggressive strategy, Washington could become a major center of trade (EX-IM), foreign investment, finance and international tourism destination.

SOME ENCOURAGING INITIATIVES

* DTED's Trade and Investment Program, which was rated the most effective by Japan's major business daily.

(Team Washington - first two years - $1 B new investment - 33 county ADOs - over 18,000 jobs.)

- * The Economic Development Partnership for Washington, which has trained and certified over 180 private sector leaders and executives to participate in domestic and international marketing and community economic development assistance--one of the largest private sector effort in the country.

- * The state's biennial appropriation 1986 ($3.6 M) in Washington Technology Center, which has raised over $10 million in private sector funds for applied research.

- * Business licensing, which has been streamlined in the state with the introduction of a Unified Business Identified (UBI) and new computerized systems of processing regulatory information.

- * A training network, which has been established to provide toll-free assistance to businesses seeking help in developing employee training programs. State training and employment programs have been recognized as national models.

- * The Agricultural Marketing Program, which has secured futures contracts for crops with Japanese customers.

- * Public and private initiatives in the Columbia Gorge that are resulting in international tourism.

- * Development of aquaculture in the coastal counties.

POTENTIAL DEVELOPMENT OPPORTUNITIES

The state is clearly moving in the right direction. There are opportunities in current areas, as well as new areas, where the state could pursue long-term returns on investment.

Examples include:

1. Developing more sophisticated wood processing technologies to process small logs with high-yield and production rates.

2. Developing methods to use low-grade hardwoods in the production of furniture parts.

3. Developing high-quality food products for sale in world markets.

4. Facilitating joint ventures with new and efficient processing technologies with Washington resources and foreign investors in wood products, fisheries and agriculture.

5. Developing better means of identifying Washington products for sale in domestic and international markets.

6. Developing a variety of snacks and products that can be made from Washington wheat, apples, potatoes and grains.

7. Identifying new emerging market opportunities for new products and services worldwide that could be served from Washington.

WASHINGTON'S MAJOR CHALLENGES

* Develop a better understanding of the dynamics and regional implications of the world economy, the impacts on the state and new market opportunities that are emerging.

* Build greater interdependence between the public and private sector and real cooperation to solve problems and seize new opportunities.

* Create more flexible and efficient government.

* Build more flexibility and capacity at the local level.

* Develop more adaptable and quality-conscious management and labor relations.

* Create more professional, creative and advanced schools that provide world class education, research and development, and actively assist the state's problems.

* All institutions must become more participatory, flexible, democratic, visionary and productive.

NEW DIRECTIONS

- A bold strategy is required that confronts the challenges and the opportunities and establishes a vision of the state's economic future.

- **A strategy must be put in place with a broad consensus of all the key actors and elements that may be used to contribute to economic growth.**
- **Improving our global competitiveness requires cooperation between business and government, workers and educators, and between states and trading partners.**
- **The capacity to influence economic development through public anjd private actions should be based on a determination of those areas where state policy can make a difference.**
- There are two different approaches to influencing economic development:

  1. Generally strengthening economic foundations, such as education and training, infrastructure, energy, taxation, fiscal stability, government services, telecommunications, transportation, etc.
  2. Targeting areas of potential growth and comparative advantage to affect the margins of new investment and the development of new markets.

Both these approaches are necessary for a long-term economic development strategy. strengthening our economic foundations provides the long-term basis for future growth and competitiveness. Targeting areas of comparative advantages ensures that current opportunities are utilized to their economic potential.

THE REPORT AND RECOMMENDATIONS--ONLY A BEGINNING

The Board's report represents a first step in the development of a long-term economic development strategy. It represents the initial thinking of the Board's members, staff, and the many thoughtful public and private individuals who have contributed their ideas, suggestions and support.

1987 WORK PLAN

In 1987, we will turn our attention to:

* Training, technology, new product development and financing

* Distressed areas - public and private commercial solutions

- New product and market opportunities
- Implementing long-term strategic planning in state economic development programs
- Improving public/private cooperation
- Creating a plan to make Washington a major crossroads of world commerce

We believe our state's future is not pre-determined--it will become what we make it by our cooperation and commitment. We are not only hopeful, but enthusiastic about Washington's economic future. Thank you.

Senator SIMON. A friend of mine I am pleased to have here as a witness, Larry Kenney, the president of the Washington State AFL-CIO.

Mr. KEN[illegible]Y. Thank you, Senator Simon and Senator Adams. And it is still a great sound, Brock. I will get used to it yet.

Throw the clock at me if you want to, gentlemen.

I have been pondering about what I should say. We have submitted a fairly long statement, prepared primarily by staff people Jeff Johnson and Jim Tussler while I was unexpectedly in D.C. last week. I think they did a good job. It is excellent testimony. They were perhaps a little more harsh than I am in their judgment of your bill. But that is because they are younger and they still care pretty passionately. And those of us who sometimes think that our life has been spent just watching full employment come to be nothing more than a change in the definition from four percent to seven or eight percent or maybe higher, get a little discouraged. We have been through Humphrey-Hawkins as well as the Full Employment Act. But we keep trying. And for that, Senator, God bless you.

There is little that I can say on this issue that I have not heard you say much better than I can over the last 24 hours. But let me talk about a couple of specific industries. One is the shipyard industry. There are approximately 8,000 skilled shipyard workers in this State who have lost their jobs in the last four years. The yards are now operating at about one-quarter of capacity. JTPA attempts to get money have not been all that successful. A $3 million program was turned down by the Department of Labor. And it was resubmitted at $1 million, and it was then approved. That means of the 8,000 eligible dislocated shipyard workers, only 550 will receive any retraining assistance through Title III simply because there is not enough money.

A trade act petition, trying to get more money, filed on all three shipyards, was denied by the Department of Labor. The reason, there is no impact of foreign competition. We disagree with that. When we are reflagging Kuwaiti ships, it seems to me maybe we ought to be building some of our own.

Marine Power and Equipment, one of the larger yards, is currently in receivership with a large debt load. The local management, Seattle Metal Trades, the Inland Boatmen, National Association of Pilots and a number of unions are working to try to prevent foreclosure by forming an ESOC. Lockheed Shipbuilding Company has made a statement that they intend to close the yard and to sell. And the Seattle metal trades and all of us in labor are willing to work with any responsible new ownership. And the economic outlook, frankly, is not all that good. There i[illegible] possible increase in repair work for the home port of Everett. And if oil prices increase, there may be an increase in tug and barge service to Alaska.

But even trying to repair our own ferries comes a cropper because the insurance companies will not even issue an insurance bond to Todd Shipyard when they try to do the job. And that seems to us a clear sign of the interdependence of our economy and sometimes the stranglehold that the banks and the insurance companies have on all of us.

Forest products and timber, that is not much pleasanter, either. The unemployment figures—and Max will speak to that—are much more difficult to compile because of the number of employers and the fact that they are spread across the State. But it is clear that forest products as an employment base has radically declined over the last six years. And if you really want to analyze the problem, just walk down the main street of towns like Elma or Colville. There are men and women who want to work, are willing to work, but find little opportunity behind a $4- or $5-an-hour job.

From a personal point of view, as president of an AFL-CIO organization that is funded by voluntary contributions of its affiliates, when I first became a member of a State AFL-CIO in 1969, we had a local in Longview that had more members than the entire IWM membership in the State today.

In recent years about $2 million have been spent on retaining, relocation and counseling, and the sources of funds are JTPA, Title III, Trade Act, and union and employer sources. And as in all worker training projects, the forest product experience has had mixed results. For a minority of the workers, short-term retraining has led them to new family-wage employment. But for most, funds are not available, and new demand occupations could not be found.

For retraining to be truly effective, three things must be available: a willing and adaptable work force, resources in dollars and a skilled program staff, and an expanding employment base. And our experience has been indeed dislocated workers are willing and adaptable, but resources are meager, and job opportunities, frankly, are very few.

Thank you.

Senator SIMON. Thank you very, very much for your testimony. Your prepared presentation will be inserted in the record.

[The prepared statement of Mr. Kenney follows:]

Washington State Labor Council, AFL-CIO

Lawrence Kenney, *President* • Al Brisbois, *Secretary-Treasurer*
201 Elliott Avenue West, Suite 410
Seattle, Washington 98119
Telephone: (206) 281-8901
Toll Free In Washington State: 1-800-542-0904

SENATE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

S.777 "GUARANTEED JOB OPPORTUNITY ACT"

Testimony of
Lawrence Kenney, President
Washington State Labor Council, AFL-CIO
Seattle, Washington

August 27, 1987

The original draft of the Full Employment Act of 1946 promised that "every American able to work and willing to work has the right to a useful and remunerative job..." This language was not included in the final version of the bill and forty years later we still need full employment at decent wages. The only thing that has changed since 1946 is our definition of full employment. A rate of 4% then signaled a need for federal action. Now, the Reagan Administration considers the economy to be at full employ-ment when 7% of those who want to work can't find jobs. To compound the problem, the "official" unemployment rate does not account for "discouraged workers," involuntary part-time workers and involuntarily retired workers.

In his General Theory, John Maynard Keynes recognized that the free enterprise system, left to its own workings, could not provide full employment; a secondary flaw he cited was the system's propensity to create a very badly skewed distribution of income. His solution was to use government fiscal policies to stimulate aggregate demand, income and employment. He wrote

> **If the Treasury were to fill old bottles with banknotes, bury them at suitable depths in disused coalmines which are then filled up to the surface with town rubbish, and leave it to private enterprise on well-tried principles of laissez-faire to dig the notes up again ... there need be no more unemployment and ... the real income of the community, and its capital wealth also, would probably become a good deal greater than it actually is. It would, indeed, be more sensible to build houses and the like; but if there are political and practical difficulties in the way of this, the above would be better than nothing.**

Our economy still can not produce full employment and our distribution of income and wealth has become even more skewed than in Keynes' day. Despite the Reagan Administration claims of economic prosperity, the U.S. economy is in the midst of a long-term structural crisis. And though politically we may be ready to replace supply-side economics with Keynesian full employment policies, we must recognize that the world has changed drastically over the past fifty years. We can no longer say like Keynes did, with tongue in cheek, that a job is a job is a job. What kind of jobs and products we produce will determine the standard of living we and our children will have. It is within this context that the "Guaranteed Job Opportunity Act" must be weighed.

To adequately address this bill our testimony is divided into the following parts:

I. National and Local Economic Crisis
II. General Comments on the Bill
III. Comments on Specific Sections of the Bill
IV. Recommendations

I. Economic Crisis

a. National Level

Economic crisis is not new to the free enterprise system. According to the National Bureau of Economic Research the U.S. has had 33 business cycles since 1820. These cycles have varied in intensity and duration, but common to all was the ability of the economy to pass through them without significant structural change.

Over this same period of time the U.S. economy has also gone through four secular crises--sometimes referred to as Kondratieff cycles or long waves. Long waves are forty to fifty years in duration and are characterized by twenty to twenty-five years of economic growth and twenty to twenty-five years of crisis; the post World War II era in the U.S. can be broken down into a growth period (1946 to 1966) and a period of stagnation (since 1966). It is during the down cycles of these long waves that the economy undergoes significant structural shifts.

Some economists have called the recent structural shift in the U.S. economy the deindustrialization of America. Fundamentally the economy has undergone a dramatic shift of employment from the basic manufacturing industries to the service industries; approximately seven out of every ten new jobs being created now are in the service sector.

The new service sector jobs are characterized by low wages and few fringe benefits, lack of job ladders and, all too frequently, they are split-shift or part-time jobs. These new jobs are also typically nonunion jobs.

According to economists Barry Bluestone and Bennett Harrison ("The Great American Job Machine: 1973-1984", Joint Economic Committee, 1986) this structural shift in the U.S. economy is creating a low wage society. They found that 60% of the eight million net new jobs created between 1979 and 1984 paid $7,000 or less in real annual wages; 100% of the net new jobs paid less than $14,000 in real annual wages.

Falling real wages have exacerbated the problem. Real wages have fallen 13.5% between 1973-1985; workers' purchasing power is now the same as it was in 1965. This drop in real wages is a partial explanation for the recent skyrocketing of household indebtedness. Households have increasingly turned to credit to maintain stable levels of spending as the economic crisis has eroded household incomes and living standards.

For the first time in the post-World War II era we have a bimodal distribution of income; as the number of middle-income families shrink, we are becoming a society of rich and poor. The distribution of wealth in the U.S. has become more unequal. According to a report of the Joint Economic Committee of Congress (1986), in 1983 ten percent of our population owned 72% of the country's net wealth.

In the wake of the structural shift of the U.S. economy our society is becoming poorer. Over the past six years approximately 15% of our population was officially listed as living below the poverty line. Sociologists have coined a new term for some of these people--the "working poor." Approximately eight million men and women earn the federal minimum wage of $3.35 an hour or less; another six million earn between $3.36 and $4.00 an hour. These people are living at the edge of subsistence.

In this section we have given a thumbnail sketch of the crisis of the U.S. economy and some of the consequences of the most recent restructuring of corporate America. Though the measures of crisis go on, perhaps the most important fact to keep in mind is that this crisis is world-wide in scope. In England economists speak of an "unemployment culture." In Japan the official unemployment rate masks the fact that major corporations are trying to come to grips with thousands of redundant workers.

b. State Level

Unfortunately the state of Washington has followed the national deindustrialization trend. Aerospace, forest products, shipbuilding and metals have been the historical drivers of the state economy. Employment shrank in these basic industries from the 1970s to the 1980s; with the exception of aerospace, employment in these basic industries has been cut at least in half.

The following table shows the relative shift in manufacturing and service industry employment as a percentage of total state employment:

	1968	1984
Manufacturing Employment	27%	17%
Service Employment	33%	45%

Since 1966 the rate of service sector employment in Washington state has grown faster than the national average. Approximately 75% of all new jobs created in Washington state between 1979 and 1985 were in the service sector.

Accompanying the shift in employment patterns has been a drop in real wages; average hourly wages are $7 in the eight most rapidly growing industries compared to $11.50 in the eight most rapidly declining industries. Real wages have fallen approximately 10% in the service sector since 1981; 25% in the retail sector since 1975.

Historically, per capita personal income in Washington state has been higher than the national average. Ten years ago we were almost 10% above the average. By 1986, our state's per capita personal income had fallen below the national average.

Statewide unemployment this year has been officially hovering between 8% and 8.5% of the workforce or approximately 170,000 workers. Extrapolating from the national figures on discouraged workers and involuntary part-time workers brings Washington state's unemployment rate up to approximately 12.5% or 250,000 to 265,000 workers; this figure is equivalent to the combined populations of Spokane, Pasco, Yakima and Wenatchee. However, even this figure underestimates the real extent of the problem. The counties outside of the Puget Sound region have official unemployment rates of between 13% and 18%, adjusted rates of 20% to 25%.

According to a study done by the Industrial Union Department of the AFL-CIO, Washington state ranks third in the nation in total dislocated workers per capita and fourth in the nation in dislocated workers per capita due to plant closings. In December, 1986, the State Legislative Joint Select Committee on Unemployment Insurance and Compensation found that the number of unemployment insurance claimants who exhausted their benefits rose 123% between 1979-1986.

The number of people living in poverty has also risen in Washington state. Between 1979 and 1986 the single-parent family public assistance caseload rose 48% despite a population growth of only 10%. According to the Women's Economic Rights Coalition, two-thirds of the minimum wage workers in the state are women; one-third of the women who work full-time earn $7,000 or less a year; and 41% of the female headed households lived in poverty in 1980.

II. General Comments on the Bill

1. S.777 correctly identifies structural unemployment as a major impediment to a healthy and prosperous economy. But the remedies offered to address the problem fall short of the need.

We agree that "the relationship between a strong educational system, practical and realistic training and retraining programs and a healthy economy is inseparable." But we question whether structural unemployment is the result of an "unskilled, ill-trained and undereducated" workforce. We think that underestimates the quality of American workers.

In addressing the issue of improving "our productivity and competitive position" we must first disaggregate our current workforce by skill level, adaptability and transferability of skills, and educational/training needs. For example, there are currently 8,000 dislocated shipyard workers in Washington state. These workers are highly skilled with an average of ten years experience on the job.

A shipyard electrician has basic skills and knowledge in electrical systems, blueprint reading, structural design and in many cases supervisory skills. Those skills are highly transferable or adaptable to the production of a number of other useful goods. It makes little sense to assume that the electrician needs or should receive training in computer programming just because the skills he or she possesses are high level and technical. Yet this is precisely the type of solution commonly suggested in current JTPA programs.

JTPA is performance driven; success is measured in terms of the number of job placements and not necessarily the quality or appropriateness of the job for the worker. The procedure seems to be to train unemployed workers for existing market demand. All too often, workers are trained willy-nilly for jobs that may or may not still exist by the time they are employable. Too little attention is paid to how many workers are being trained by various programs and how many existing or potential openings exist.

Apart from the waste of resources and productive talent, this procedure for job training and placement often depresses particular labor markets through an over-supply of workers trained in the same skills. That increases the possibility of employer abuses.

Paraphrasing Adam Smith, it is not the benevolence of bakers that will provide our daily bread, but rather their self-interest. This becomes tragically true in times of crisis. There is no benevolence in bankruptcies, plant closings, speculative investment sprees, merger and acquisition waves, deindustrialization and the "hyper-mobility" of capital. These are all part of the restructuring process of corporate America; structural unemployment is a result of this process.

A large part of the explanation for structural unemployment lies in the competitive nature of our economy. Corporate investment decisions over a 20-year period brought about the deindustrialization of America. It is important to note that this shift from a manufacturing to a service-based economy is not a natural economic evolution nor is it inevitable that the trend be continued. Some economists estimate that between 40 and 60 million of our service jobs are directly linked and dependent upon domestic manufacturing production. If manufacturing goes, so too will these service jobs. This is a sobering thought.

Saying that corporate investment decisions are in large part responsible for structural unemployment is coming full circle to what was said by Keynes and others fifty years ago. The system, by itself, cannot produce full employment. Couple this with the fact that long-term productive investment in an uncertain world takes planning and economic vision and we are left with the task of disagreeing with a central tenet of U.S. laissez faire economic thought: "Fiscal policy should be indifferent to what makes up the gross national product."

Fiscal policy should and must consider what we are producing. We can dig holes or we can build houses. Both create jobs. Both are the result of choice. Similarly, we can accept the deindustrialization process as inevitable or we can create a new demand side of the employment equation. Which choice we make will determine the type of education, training and skills our future work force will need.

The Guaranteed Job Opportunities Act must determine whether it is the public who will decide what to build or whether that decision will be left to the market place.

2. **Creating minimum wage jobs has the potential to increase the numbers of working poor. New jobs created by S.777 should**

not be allowed to weaken family incomes or community wage standards.

Approximately 15% of our population currently lives in poverty. Officially 14 million U.S. workers earn $4 an hour or less. When you add undocumented workers and others who fall through the cracks, a substantial proportion of our population is living at the edge of subsistence.

Public service jobs, short-term in nature and paying the minimum wage for 32 hours of work will provide a worker with an income of less than $5,600 a year. Even if the federal minimum wage is increased to $4.25 an hour, the minimum-wage worker will make only $7,000 annually.

The low wages of these positions make it difficult to meet S.777's goal of creating a positive sense of work values and a feeling that workers can once again contribute to the economic well-being of their families and their community.

3. Structural unemployment is costly economically, socially and personally. S.777 assumes that the cost of the jobs program will be offset by decreased transfer payments and increased revenue through personal income taxes. That may be true only in the long-term.

Given the low wages and less than full employment character of the public service jobs the bill specifies, it is unlikely that transfer payments will immediately decline. These workers and their families will continue to need some form of public help to achieve even a minimally acceptable standard of living. Most of them will make too little to be liable for federal or state income taxes.

Under the best of circumstances the income multipliers created by this program will offset costs only over the very long term. It would be more appropriate to assume that the jobs program is going to require an immediate investment that will benefit individual workers, their families and their communities, as well as the nation. That's an investment well worth the cost.

III. Comments on Specific Sections of the Bill

Section 5. District Executive Councils

1. It is questionable whether the JTPA Private Industry Councils (PICs) are well suited to the functions of the District Executive Council. PICs are dominated by business. Their actions are performance driven. As a result, job project selections may not be representative of community needs.

2. In Washington state, the task of the PICs has been made more difficult by the enactment of state welfare reform legislation--the Family Independence Program. That program's enrollees will compete with the unemployed currently being served by the PICs. The Guaranteed Job Opportunity Act will exacerbate the problem of a large number of unemployed workers competing for the limited amount of job services available.

3. Educational community representation on the District Executive Council should be expanded. Vocational education, vocational counseling, and secondary and college level representatives should be included. Decisions about training, retraining and the capabilities of the differing educational systems must be made in coordination with the educational community.

Section 6. Program Eligibility

1. The definition of unemployed should be broadened to include "discouraged" workers, involuntary part-time workers and the involuntarily retired.

2. The $17,000 previous-year income threshold should be eliminated. This requirement discriminates against skilled workers who have lost their jobs because of a plant closure. The income threshold will eliminate the possibility of help for them even though there may be no prospects for equivalent work in their communities.

3. There should be no discrimination against those who are involuntarily retired; age discrimination aside, we lose valuable skills if we prevent the participation of older workers.

Section 7. Testing and Education Requirements

1. The Bill should more clearly define the following:

a. reading and writing competence

b. satisfactory progress towards a secondary degree

c. the type of educational support services, if any, which will be provided

d. English as a second language "may be provided ... at the discretion of the District Executive Council"

Section 8. Local Job Projects

1. If participants are limited to 32 hours of work and expected to seek employment during the other eight hours of the normal workweek, they should be trained for the employment search effort.

Section 9. Benefits

1. The minimum wage should be replaced with a wage commensurate with a minimally adequate standard of living for program participants. Prevailing wage standards in the community should be protected.

Section 10. Labor Standards

1. Some provision for enforcing labor standards should be included.

2. Language should be inserted requiring written concurrence with the local project by the labor organization.

Section 12. Evaluation

1. The Bill should specify the criteria for evaluating participants.

2. Confidentiality of the participants' evaluation file must be guaranteed.

IV. Recommendations

1. To ensure that participants receive a minimally adequate standard of living, the wages of the guaranteed public service jobs should be pegged to the U.S. Bureau of Labor Statistics "lower budget standard" for a family of three. This wage level will help break the cycle of poverty that often accompanies structural unemployment and will provide participants with the ability to help their families and be productive members of society at large.

2. To guarantee employment security, time limits on the length of participation in the program should be dropped. Moving workers into private employment should remain a goal but the need for time to build skills, confidence and to locate appropriate employment should be recognized.

3. Local job projects should be selected by local community planning boards made up of members who are representative of the community. Local job projects should be directed towards goods and service needs not adequately met in the community. To facilitate this, a community needs assesment should be drawn up and priorities determined by the planning board. Job project selection should be linked with a skills assesment of the unemployed in the community.

4. To guarantee that "every American able to work and willing to work has the right to a useful and remunerative

job..." the Guaranteed Job Opportunity Act should be part of an overall industrial policy plan. We can turn adversity into gain if we use our resources, both capital and labor, to rebuild our country. We have the requisite resources; we have no shortage of needs. What is needed is an economic vision of the society we want to live in; we can dig holes or we can build houses. We the people must decide for ourselves.

To be sure, this is no easy task. But we have already seen the cost of structural unemployment and the deindustrialization of America. Keynes addressed the issue of long-term investment and planning when he said:

> Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes the by-product of the activities of a casino, the job is likely to be ill-done.

Our economy has increasingly been operating over the past twenty years with a casino effect. Whether that will continue for the next twenty years is our choice.

Senator **Simon**. Representative Max Vekich from the Washington State House of Representatives, we are pleased to have you here with us, Representative Vekich.

Mr. **Vekich**. Thank you, Mr. Chairman. At the State level, I do much the same as you do. I go around the State and ask these questions that you are asking. I hope that you have more ability to do something about it long term than we have been able to do.

In this State, the Seattle area itself is not breaking any records for growth or for vitality. But this is the best part of the State, and now really there are two Washington economies. There is the Washington economy of the Puget Sound area, and now there is the Washington economy of the other Washington, the area outside the greater Seattle area. In those areas unemployment ranges in areas like Grays Harbor from 12 percent to Klickitat, which has 26 percent unemployment in eastern Washington, to Ponderay county, which is 28 percent. And these figures are a little better than they were last year. The State's timber and agricultural areas were healthy a few years ago, and now they are in deep trouble.

Personal income in the Seattle area is still 115 percent of the national average. But in the rest of the State it is below 90 percent, and this is in a State that used to boast of its quality of life.

Moreover, we have seen a tremendous dislocation of workers. The AFL–CIO has rated us as being the third highest in the number of dislocated workers in the Nation. The number of our welfare case loads tell the same story. Single-parent welfare case loads are up, between the years 1979 and 1986, 50 percent. Two-parent case load families are up 100 percent. Unemployment insurance exhaustees have increased by also 100 percent over the same seven-year period.

We have seen some growth in manufacturing in so far as output, but this growth has been jobless growth. The jobs are not there even though productivity has increased. The growth that we have seen, I guess—and this is not untypical of the rest of the country—is in the service sector: 17,000 new jobs in finance, real estate, and insurance, a 20 percent gain, and 57,000 new jobs in retail trade.

But unlike the rest of the country, our service sector is primarily in the retail and consumer services, the low paying ones. You see a whole lot of jobs at Seven-Eleven and people who are working at jobs perhaps 12 or 16 hours a week, jobs that are designed to defeat unemployment assistance in the State, so that they can qualify for anything, any help or any assistance. And yet they work anyway.

And I guess there are a number of things that we could do today, and I guess some of the things I would like to see—I guess I have a wish list. The State Legislature has groped with the problem of economic development. We have instituted 25 new programs over the last five years. We are not doing too badly. We are making some progress. We do not have a whole lot of capital, and we have some constitutional provisions on lending and the State's credit. But we are trying to provide some incentives and entrepreneurial encouragement to companies that can make a difference. But there are some things, I think, we might ask of you. Number one is we need to maintain an open-trade environment. This is critical and you will hear this a lot. But it does not hurt to say it one more time.

In 1985, for the first time, the West Coast shipped more cargo across its docks than the East Coast in the history of the United States, and that trend is continuing in 1987.

The Federal Government recently, under the Reagan Administration, has burdened this State and other States with user fees in international trade. These are more disincentives that will hurt us in the long run. We would welcome the establishment of a Federal economic development block grant that would provide States money to do what we have been doing already. I do not know that in many instances we need Federal programs where we have already been involved. We are undercapitalized in our efforts on all fronts, and we could use money.

And two more things. There was also a trend in the last few years to reduce the rights of workers. In this State the decision is going the other way, at least in the Legislature. The decisionmakers are tired of seeing workers' rights evaporate. We are tired of people having to settle for a lower quality of life in the future. We do not feel that we have to buy into that philosophy, and we have been resisting it, and we would like to see the Federal Government also resist.

We would like to see Federal programs to combat underemployment also, which we feel is another word for unemployment.

Finally, just to echo what Mike Fitzgerald said, we would welcome your bill. I think you are one of the few people who has talked about employment nationally. And we need help. We need help in whatever form it can be. If you want to start a pilot project, this would be a good State to start in, and we again reiterate that we welcome that.

But along with pursuit of economic development, I do not think we should be involved in this State or nationwide with the pursuit of economic development for economic development's sake. We need to be constantly striving for improvements in the quality of life and providing a good life to all our people. Thank you.

Senator SIMON. We thank you. And let me also, in addition to the statements of these witnesses, insert a statement by State Representative Jesse Wineberry, the vice chair of the Washington State House Trade and Economic Development Committee.

[The prepared statements of Mr. Vekich and Mr. Wineberry follow:]

House of Representatives
State of Washington
Olympia

Presentation by Rep. Max Vekich,
Chair, Washington State House Trade and Economic Development Committee
to the Subcommittee on Employment and Productivity
of the Labor and Human Resources Committee of the US Senate
Monday, July 27, 1987
Seattle Central Community College

Introduction

Other members of this panel are discussing the dramatic changes in the state's economy in response to the shifts in the world economy

As chair of House committee responsible for trade and economic development, and representating Legislature as a whole, want to draw attention to the serious economic problems state faces in this new economy, what we have done to respond, and some ways the Congress might help us in the future

Where we are

While the Washington State economy continues to be creative, and the state has firms which are doing well, and a highly skilled workforce

Washington State economic performance has been rocky in the 1980s

Unemployment in the state remains high and persistent

- Statewide unemployment was nearly 9% as recently as March of this year
- more than 2% higher than the national unemployment rate, and up to 3% higher than the nation's in recent years
- Unemployment in the state's rural counties now ranges from nearly 12% in Grays Harbor County where I live to almost 26% in Klickitat County on the Columbia River and 22% in Pend Oreille County in northeast Washington

Wages and salaries continue to fall

- Historically, per capita personal income in the state has been about 10% over the national average
- Personal income has fallen to the national average in the 1980s, and is continuing to decline

There are now two Washingtons

- gap between the performance of the economy of Seattle and its suburbs and the rest of the state continues to grow
- The Seattle area itself is not breaking any records compared to the nation as a whole, & the area has major pockets of poverty and serious social problems
- State's timber counties and agricultural areas, healthy not so many years ago, are now in deep trouble
- Personal income is 115% of the national average in King and Snohomish counties, while it is below 90% of the national average in the rest of the state

There has been severe economic dislocation in recent years

- recent AFL-CIO study says state is 3rd in US in rate of dislocation caused by plant closures
- annual cost to state and local government of plant closures range from $132-165 million over the last 5 years (unemployment insurance, public assistance, food stamps, medicaid, lost state and local taxes)
- single-parent welfare caseload has increased by 50% from 1979 to 198
- two-parent family caseload is up 100% in the same period
- there has been 30% increase in welfare caseloads in urban areas, 76% increase in rural counties
- unemployment insurance exhaustees have increased by 100% in the period

State growth in manufacturing is mostly jobless growth

- Employment in all the state's traditional basic industries except aerospace has declined, with state employment in manufacturing falling by 8% since 1979
  - wood products employment fallen by 20,000 jobs, 20% decline
  - primary metals lost 6,000 jobs, 35% decline
  - shipbuilding lost 4,000 jobs, 26% decline, and that is before the shipyard closures announced in recent weeks

Growth that has occurred is primarily in jobs with lower wages

Growth has mainly occurred in service sector

- 17,000 new jobs in finance, real estate and insurance, 20% gain
- 57,000 new jobs in retail trade, 20% gain
- Unlike nation as a whole, employment in low-paying consumer services increased more rapidly than in higher paying producer services

Jobs in growing sector pay less than jobs in declining sector—wages in services and retail trade roughly half those in manufacturing

Most important good news has been in international trade, especially with the Pacific Basin

- more dependent on trade than any other state
- exports, from seafood to software, (include wood products, airplanes, apples, wheat)
- state plays key role in moving goods around--state moves cargo from around the world, especially the Pacific Rim nations
- Seattle now exports more containers than any other port in the US

This highlights importance of open world trade for economic health of the state and region

What we've done

During the restructuring of the national and world economy in the 1980s, there has been little federal action

Lack of federal response has forced state to act
to respond to regional dislocation and industrial restructuring, though sources are more constrained and powers more limited

Legislature takes some pride in having taken responsibility for responding to these problems

Legislature created over 25 new programs in the last 5 years to increase
the competitiveness of local firms
the level of entrepreneurial activity in the economy
the fundamental health of the basic governmental responsibilities, foundation of economic development and new job creation
-infrastructure
-basic and higher education
-environmental quality
-social welfare

Programs created in face of tight budget constraints include:
Economic Development Board--to give state a way to assess our economic condition, and to develop a strategic plan for future efforts
Service Corps & Conservation Corps--to give disadvantaged young people job experience
Public Works Trust Fund & the Centennial Clean Water Fund--to provide for local maintainance of infrastructure, and to ensure that growth does not harm environment/quality of life, major asset of state
Development Loan Fund--to assist small business in distressed areas of the state
Community Revitalization Team--to help distressed communities plan for their own reovery, and to target state resources to help them
CINTRAFOR & IMPACT--university-based centers to identify new markets for state wood and agricultural products
Washington Technology Center--center to help link state academic resources with firms in the state to help commercialize basic research
Business Assistance Center--to consolidate all business assistance programs in a single place to make them more accessible to small firms
Job Skills program--to provide customized training for workers in firms locating or expanding in the state
Community Development Finance--to help package federal financing programs to make them more accessible to smaller firms in the state
FIP--experimental welfare reform program, to help disadvantaged rejoin work force when possible, and to provide support to make that practical
CERB--reauthorized just this year; to provide infrastructure for economic development for firms located or expanding in the state

What we want from you

As state most dependent on international trade

Maintaining an open trade environment is critical
- everone says this to you, but it is worth repeating, because trade is so important to the state

Don't burden international trade in the state with unnecessary user charges
- we understand the federal government needs revenues to cope with the deficit, but don't burden one of the areas of real hope for the economy with unnecessary costs

Establish a federal economic development block grant
- glad to have Congress recognize need for federal action, even if the help is belated
- help support programs built at the state level over the past five years rather than merely replacing them with federal programs.
- give state the resources needed to increase the productivity and health of our economy

We need help
- to empower our citizens, with programs for retraining and education
- to retain and modernize our mature industries
- to increase the level of entrepreneurship of our citizens, so they can create new enterprises
- to give poor people resources to be productive again

Over the next few years, it will probably turn out that some of these programs are best done at the federal level--but don't pre-empt state action now, just when we are being most creative--give us the resources to let us craft programs that best fit our needs

In the process of encouraging growth,
Increase, rather than reduce, the protection offered to working people to protect their rights
- goal of government economic development efforts should not be economic growth or competitiveness for its own sake
- goal should be increased standard of living for citizens
- if living standards suffer in the short term to increase US competitiveness, it is crucial that the working people who will pay the most have the capacity to bargain from strength so that they also can reap the benefits of future prosperity

Long-term prosperity requires greater cooperation
- between the public and private sector
- between business and labor
- between industry and environmentalists
- between federal, state, and local government

Federal action is needed to promote this cooperation, and to ensure that weak are protected in the bargains that are struck to provide a better common future

-DRAFT-

PROPOSAL FOR A SEATTLE-PUGET SOUND INDUSTRIAL JOBS COMMISSION FOR DISTRESSED SHIPBUILDING AND MANUFACTURING INDUSTRIES

Background To the Crisis

The Puget Sound Shipbuilding industry, and the workforce that made the local industry the most productive in the country, is in a crisis. Over 9,000 shipbuilding workers have lost their jobs due to plant closures, mass layoffs and lockouts in the Seattle-Tacoma area since 1983. The largest private shipyards in the region, Lockheed Shipbuilding Company, Todds, Marine Power, and Tacoma Boat are all on the verge of closing, phasing down, or in bankruptcy already. Many of the smaller ship and boat repair-building yards and marine-based industries are also experiencing difficulties. Overall, 40,000 mainly blue collar workers have suffered job loss due to economic dislocation in King County since 1979, some 40% of the state total.

A major Public Hearing on the "Puget Sound Shipbuilding Crisis", sponsored by the Seattle Worker Center and the Campaign to Save Shipyard Jobs, recently explored the problems and options faced by the shipbuilding industry which, in many ways, represent a microcosm of American industry in general. The industry has been subject to significant competitive pressures from international shipbuilding, a declining federal role in maritime construction, and the projected downturn of federal naval production. The public hearing featured labor leaders, local company managers and elected officials, church and community representatives, rank-and-file and unemployed workers, and Congressman Mike Lowry and Representative Gene Lux. One of the key issues raised was the way in which Lockheed Shipbuilding Company locked out 700 of its union shipbuilders, affecting 3,000 family members, and the impacts of the lockout on citizens, the community and labor-relations.

Puget Sound shipyards face bleak years ahead and can survive only if (1) management and workers foster mutual respect, (2) the immediate training and crisis needs of dislocated skilled workers are addressed, and (3) the city, county, port, state and federal governments begin working with local unions and managers to prevent the disasterous loss of any more shipyards and affiliated industries. The hearing found some hope for the future; a $100,000 feasibility study conducted by the State of Massachusetts found that domestic shipbuilding could experience a rebound in 1988 if yards can survive that long; additionally, Congressman Mike Lowry introduced viable options for local shipyards which included an expected "boom" in fish processing boat construction and the need for laws to ensure that American-built ships are used by the country's maritime fleet. Along those lines, the Congressman made commitments to the unemployed shipyard workers to conduct a Congressional Hearing in Seattle to determine the true costs of shipbuilding and repair, and to focus attention on alternatives to the closure of Lockheed. Finally, an economic planning consultant who headlined the conference described longer-term industrial planning mechanisms which local governments, in partnership with labor, business, church and community sectors, have constructed in order to better prepare for economic changes.

Local and State Dislocation Problems

Washington State has the third highest rate of worker dislocation in the United States, and the fourth highest rate of plant closures; it is in the same "class" as Alaska, West Virginia, Alabama and Mississippi, according to the Department of Labor. Seattle and King County have not escaped the trauma of declining jobs and wages. King County's average wage, once 10% higher than the national average, is now only 1% above, while the state's fell below the national average, for the first time since the 1970 "Boeing Bust", in 1985. The findings of the 1986 State Joint Select Committee on Unemployment confirm one of the major problems faced by the King County economy: the County ranked 2nd in the state in terms of the highest percentage of workers in cylical industries. Even as new jobs are created, the city and county have an uncertain revenue future; if there is a new recession, that picture could get much darker.

Clearly, the public must act to prevent the continuing decline of the "primary jobs"-producing sectors and the unacceptable suffering and humiliation of the once-proud blue-collar workforce and their families. It is no mistake that the City of Seattle and the area have witnessed extraordinarily high levels of mortgage foreclosures, health problems, hunger and homelessness. These "social" crises are caused, primarily, by the loss of decent jobs and the inability to find new jobs that will enable families to survive. The "vanishing middle class" that has been cited in recent national and state studies tell the story of what is happening to our society, given the lack of direction and the powerlessness of our public authorities to address the loss of basic industry.

The Seattle/Puget Sound shipyard workers are among the best in the world. However, thousands of these fine skilled craftsmen and women are leaving the industry and are being abandoned, and will eventually lose the skills that have taken literally generations to acquire. Elliot Bay, the Waterfront and the Puget Sound have provided the comparative advantage for shipyards and manufacturing facilities that have been highly regarded as a place or doing business. However, our shipyards, steel plants and marine industry facilities are, in many cases, rusting skeletons of what was once an economic power. Our geographic position on the Pacific Rim has been cited time and time again as a natural gateway to the East for international trade and shipping. However, great ports which lose their shipyard and waterfront industries will eventually die or become third rate; witness the Port of San Francisco, a city which is becoming a "financial services" and tourist city. The Port of San Francisco has experienced a long decline that parallels the decline of industry in the City.

The economic crisis created by the decline in shipbuilding and other industries demands that a series of carefully planned short-term and long-term measures be undertaken. The Lockheed facility could be closed as soon as October, and the other yards could also conceivably experience major problems shortly. There is no time to waste.

IMMEDIATE ACTIONS TO SAVE JOBS AND ASSIST DISLOCATED WORKERS

1. Necessary legal steps should be explored and, where appropriate, taken to prevent the dismantling of vital shipbuilding-repair and other industrial facilities.

2. An analysis should be conducted to determine the Lockheed corporate strategy in the shipbuilding industry. This analysis should include an assessment of the commercial viability of the Harbor Island/West Seattle Lockheed facility, and if warrented, a full feasibility study should ensue.

3. Congress should be called upon, and local and state officials should participate in, Congressional and legislative hearings in Seattle for the purpose of investigating : a. the shipbuilding industry and its decline; b. national maritime policy; and c. the Lockheed lockout and related consequences.

4. Affected cities, counties and the State of Washington should participate in the forthcoming U.S. Senate Hearing on plant closures, which will be tentatively held in Seattle in July, 1987.

5. Pertinent legislation at the national level calling for U.S. maritime ships and processing ships to be built by American shipyards must be supported.

6. Adequate federal and state funding to re-train and assist dislocated shipyard and other industrial workers in the local area should receive a high priority.

. The city and other public bodies should support the Seattle orker Center's efforts to continue and broaden the Campaign to ave Shipyard Jobs.

LONG-TERM STRATEGIES TO REVITALIZE LOCAL INDUSTRY

. Establishment of Seattle Metropolitan Manufacturing-Industrial ommission by the City of Seattle, King County, Port of Seattle, nd Labor-Business-Church-Community Sectors.

It is proposed that a Metropolitan Manufacturing-Industrial ommission be established in order to examine the impacts of ecent major dislocations which have created an emergency ituation throughout Greater Seattle, and structural solutions to revent or ameliorate these problems.

The Commission should be empowered to:

- Gather and evaluate vital data revealing the full impacts of dislocation on health, social welfare, housing, income maintenance, crime victimization, public assistance dependency and family cohesion when a lay-off, lockout or plant closure occurs;
- Evaluate the conditions of the metropolitan area's manufacturing and industrial base, including a categorized inventory of facilities;
- Assess (consistent with the results of the above evaluation) viable manufacturing and construction/repair facilities, particularly among the shipyards;
- Analyze the extent of business failures, including plant closures, mergers and acquisitions, and corporate takeovers;
- Review regional employment trends, including market segmentation and the increases/decreases in light and heavy manufacturing;
- Compare and contrast the manufacturing/marketing advantages of metropolitan Seattle and other regions of the country, particularly with respect to the impacts of national and international competition, including the history of Washington State and federal economic/trade policy.
- Evaluate the potential for new investors and new investment tools for traditional "high risk" industries;
- Evaluate the applicability for a "public authority" and

other current strategies now being utilized by such cities as Pittsburg and surrounding municipalities to address the maintenance and revitalization of basic steel and related industries (Steel Valley Authority).

2. Establishment of Puget Sound Industrial Jobs Authority

Pursuant on the findings of the Commission, establish and implement an industrial jobs authority or similar economic program which will have the power to maintain and build on the current shipbuilding and industrial base, by way of a new publicly-created municipal authority or through the use of existing port/public authorities.

3. Establishment of a Jobs Investment Fund

Pursuant on the findings of the Commission, establish a Jobs Investment Fund which would be used to finance the necessary changes needed in the shipbuilding industry to survive the continuing challenges of the 1980's and beyond, and which would be utilized for comprehensive skills upgrading/retraining programs for dislocated shipbuilding and other workers.

SHIPYARD INDUSTRIAL JOBS CAMPAIGN

ADVISORY COMMITTEE

* Labor
* Business
* Public Sector
* Church
* Community

Shipyard Industrial Jobs Campaign
* Grass-roots Organization

Executive Board/Staff.........SWC

Legal Strategies	Sub- committees	Alternate Use
Public Relations		Finance/Fundraising

1. The Shipyard*Industrial Jobs Campaign group will meet the 1st and third Wednesday mornings, and will expand on the same body that has driven the campaign since December, 1987. This body will have the primary responsibility of grass-roots out-reach/turn-out.
2. An Advisory Committee, composed of "blue-ribbon" representatives of the Metal Trades Council and other unions, and other critical sectors, will meet monthly to oversee the campaign.
3. An Executive Board, composed of key Executive and Campaign reresentatives, will meet on a yet-to-be-determined basis to coordinate the campaign with sub-committee chairs.

Economy

Employee-owned Lockheed?

Conferees to discuss options for shipyard

by Svein Gilje
Times business reporter

The loss of Lockheed Shipyard would be a "disaster" and the shipyard should be considered for employee or public ownership, participants at a labor-management conference will be told today.

"Labor unions are in a creative mood, and these are possibilities that we will be looking into," said Nate Ford, president of the Seattle Metal Trades Council. "We are very serious about exploring them further."

Ford and Tom Lewiston, chairman of Rank-and-File Workers at Lockheed, told a news conference yesterday that the Port of Seattle, possibly together with the city and county, could acquire the shipyard's two sites of some 70 acres by claiming "eminent domain" of the property. The land could then be leased to an employee-owned or other private company for continued operation as a shipyard or similar marine industry.

That has been done before. The

Rep. Mike Lowry
"There are some options"

Steel Valley Authority used the concept to bring together nine mu[illegible]alities in three states to ope[illegible]wo steel furnaces in Pittsb[illegible]n, Lewiston said.

Ford said an employee-owned company could continue the shipyard operation, if Lockheed closed.

John Hayes, Lockheed vice president, said the company has made no decision to close the yard. The future of the shipyard will be reviewed by the company later this year, he said.

The shipyard, which locked out 950 union workers last November in a wage dispute, last week withdrew a billion-dollar bid on a Navy shipbuilding contract. The company said it was worried that it would not have the skilled labor needed to do the work. It has no other new work coming.

Negotiations between Lockheed and the unions were restarted briefly last week, then suspended indefinitely. The company has hired replacement workers, but Ford said they lack the skills that the locked-out union workers have.

Asked for comment, U.S. Rep. Mike Lowry, who will also be at today's conference, said an employee-owned company would be "a difficult thing to put together" but worth looking into.

"There are some options for the shipyard," Lowry said. "We have quite a call for processing ships for the fishing industry, and considerable numbers of factory trawlers will be needed for the North Pacific in the next two to three years."

Henry Aronson, president of the port commission, said the port has not been approached about acquiring the Lockheed property.

Ford said the state Department of Trade and Economic Development "is shopping for a buyer for the property." Lockheed's Hayes and Doug Shaw, director of the department's Team Washington division, denied that.

"What would anyone buy it for? For fishing off the pier? We have struggled for 20 years to make it a viable business," Hayes replied.

Shaw said the department routinely has started to develop an information file, which it does whenever an industry is in trouble "just in case we should be called upon to assist. But we have had no request from Lockheed to look for a buyer."

Today's conference, "Puget Sound Shipbuilding in Crisis," will feature a number of labor and business speakers discussing the plight of the industry and examples of labor-management cooperation. Hours are 9 a.m. to 3 p.m., at the Mountaineers' Building, 300 Third Ave. W.

The conference is open to the public.

The Seattle Times

Northwest

Shipyards: 'Respect' called key to survival

Speakers focus on crisis causes

by Anne Christensen
Times staff reporter

Puget Sound shipyards face bleak years ahead and can only survive if workers and management foster mutual respect, speakers told a conference on the troubled shipbuilding industry yesterday.

Labor leaders, company managers and elected officials also blamed the shipyards' crisis on the lack of a federal policy to navigate through the shoals of the international economy.

The causes of the crisis stretch as far away as Korean steel mills, but the effects are as close as the dinner table for some members of the audience, who are among 950 workers who have been locked out of Lockheed Shipyard since November.

The daylong meeting in Seattle, sponsored by the Campaign to Save Shipyard Jobs and the Seattle Worker Center, examined ways to shore up the industry and reduce the impact of the Lockheed lockout.

Shipyards are beleaguered at home and abroad, said Steve Cuddy of the Laborers' International Union. The international market is a disastrous contest between American shipbuilders and foreign governments, which subsidize their nation's companies and are in turn subsidized by the U.S. taxpayer, he said.

The U.S. government needs a realistic industrial policy to meet that challenge, not economic isolationism or turning the other cheek, Cuddy said.

On the domestic front, he added, American workers are labeled greedy for wanting to maintain a living standard that used to be a source of national pride.

"Your wages are now considered to be the problem," he told the audience of about 60 people.

Shipyards have been sustained recently by the Navy's buildup to 600 ships, but that is nearly completed and another downswing is probably ahead, Cuddy warned. West Coast builders are at a disadvantage anyway in Navy bidding, he noted, because the West has higher living costs and less political clout than other regions.

The day's heartiest applause went not to a labor leader but to Hebie Stebbins, manager of the family-owned Lake Union Drydock.

Labor-management cooperation is essential, Stebbins said, but it's only possible when managers understand the value of "the man coming up the gangplank with the toolbox" and set company policies that earn the trust and respect of the workers and the community.

In turn, he said, unions have to be flexible about such issues as job jurisdiction, weekend shifts at straight time and holding wage increases to the inflation rate in a recession.

Foreign builders may be cheaper, Stebbins said, but only because they don't have to factor in the cost of values Americans hold dear. "When you buy an American product, you're saying, 'I'm for defense, I'm for ecology, I'm for affirmative action,'" he told the audience.

Stebbins said he'd like to see the state's congressmen and Gov. Booth Gardner "get in there and bang heads together" to end the Lockheed lockout.

U.S. Rep. Mike Lowry, D-Seattle, pointed to a ray of hope for shipyards in the growth of the North Pacific fishery, mostly by Washington fishermen. Nearly all the fish-processing ships now are foreign vessels operating in joint ventures with U.S. fishermen, he said, but he's pushing a bill to require that new processors be U.S.-built, not foreign ships allowed to fly a U.S. flag.

Lowry, a member of the House Merchant Marine Committee, also plans hearings next month on the Navy's low-bid procedure. He said low bids not only work against skilled tradespeople but often result in shoddy work and a higher cost to the taxpayer in repairs over the life of a ship.

Government urged to be more 'realistic'

SECTION E
Sunday, May 31, 1987
The Seattle Times
Seattle Post-Intelligencer

SENATE HEARING
JULY 27, 1987 9:30 A.M.
SEATTLE CENTRAL COMMUNITY COLLEGE
SEATTLE, WASHINGTON

THE SENATE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

TESTIMONY OF THE HONORABLE

REP. JESSE WINEBERRY
VICE CHAIR OF THE HOUSE TRADE AND ECONOMIC DEVELOPMENT COMMITTEE
WASHINGTON STATE HOUSE OF REPRESENTATIVES

HONORABLE CHAIRMEN AND COMMITTEE MEMBERS, THANK YOU VERY MUCH FOR ALLOWING ME TO TESTIFY BEFORE THIS DISTINGUISHED PANEL. I AM REP. JESSE WINEBERRY, VICE CHAIR OF THE HOUSE TRADE AND ECONOMIC DEVELOPMENT COMMITTEE, WASHINGTON STATE HOUSE OF REPRESENTATIVES.

SPEAKING BEFORE YOU TODAY IS BOTH A PRIVILEGE AND AN HONOR, FOR ME PERSONALLY. HOWEVER, THE VIEWS I WILL SHARE ARE REPRESENTATIVE OF THOSE HELD BY MANY OTHERS WHO ARE WORKING TO BOOST ECONOMIC DEVELOPMENT AND REDUCE UNEMPLOYMENT IN WASHINGTON STATE. SADLY, THE RANKS OF THE UNEMPLOYED ARE GROWING HERE IN OUR STATE, DESPITE STATE GOVERNMENTS BEST EFFORTS TO FACILITATE CREATION OF NEW JOBS. IMPROVED STATE AND FEDERAL COOPERATION COULD BE THE KEY TO A SIGNFICANT LONG-TERM SOLUTION TO OUR UNEMPLOYMENT PROBLEM, WHICH IS BECOMING MORE ACUTE EACH YEAR.

THE DEPARTMENT OF COMMUNITY DEVELOPMENT REPORTS THAT OF THE 4.4 MILLION RESIDENTS OF WASHINGTON, SOME 23 PERCENT LIVE IN ECONOMICALLY DISTRESSED AREAS -- AREAS WHERE UNEMPLOYMENT IS HIGH AND PROSPECTS FOR GROWTH ARE LOW. OF THE ONE MILLION PEOPLE IN THESE AREAS, 900,000 LIVE IN DISTRESSED COUNTIES, MOSTLY RURAL COMMUNITIES WITH POORLY DIVERSIFIED ECONOMIES RELIANT ON ONE OR TWO KEY INDUSTRIES.

HOWEVER, ANOTHER 100,000 OF THOSE IN DISTRESSED AREAS LIVE IN COUNTIES THAT ARE GENERALLY PROSPEROUS, BUT INCLUDE SMALL POCKETS OF ECONOMIC STAGNATION AND DESPAIR. ONE SUCH POCKET OF 25,000 RESIDENTS LIES WITHIN MY DISTRICT. ALTHOUGH THE DEPRESSED CENTRAL DISTRICT OF SEATTLE IS BOUNDED BY THRIVING BUSINESS DISTRICTS AND UPSCALE RESIDENTIAL AREAS, UNEMPLOYMENT IS HIGH. RESOURCES TO COMBAT THE PROBLEM ARE DIFFICULT TO ACQUIRE SINCE MOST ECONOMIC DEVELOPMENT ASSISTANCE IS DIRECTED TO RURAL AREAS.

HERE ARE SOME STATISTICS TO FURTHER ILLUSTRATE MY POINT. OVER THE PAST THREE YEARS, THE AVERAGE RATE OF UNEMPLOYMENT IN OUR STATE HAS BEEN ABOUT 8.6 PERCENT. THE DISTRESSED AREAS OF THE STATE HAVE AVERAGED 10.3 PERCENT UNEMPLOYMENT. THE THREE-YEAR AVERAGE HAS BEEN 6.7 PERCENT IN KING COUNTY, BUT THE CENTRAL DISTRICT ITSELF IS SUFFERING WITH A (   ) PERCENT UNEMPLOYMENT RATE. CLEARLY, THE PROSPERITY OF KING COUNTY AS A WHOLE IS NOT TO BE FOUND IN THE CENTRAL AREA. I'D LIKE TO CHANGE THAT AND I BELIEVE THIS COMMITTEE CAN HELP ME ATTAIN THAT GOAL.

WE KNOW FROM PAST EXPERIENCE THAT FEDERAL AND STATE GOVERNMENT CAN WORK COOPERATIVELY TO EFFECTIVELY ADDRESS ECONOMIC DEVELOPMENT PROBLEMS. AS AN EXAMPLE, I'D LIKE TO BRIEFLY DISCUSS ONE SUCH SUCCESS STORY, THE WASHINGTON STATE DEVELOPMENT LOAN FUND.

THIS FUND, WHICH WAS CREATED IN 1985 WITH SEED FUNDS OF $5 MILLION, HAS CREATED OR RETAINED SOME 1,100 JOBS IN DISTRESSED AREAS OF OUR STATE. CURRENTLY, THE LOAN FUND HAS SOME $3.6 MILLION IN LOANS OUTSTANDING. THESE DOLLARS HAVE GENERATED MORE THAN $64 MILLION IN PRIVATE INVESTMENTS. FURTHERMORE, THE JOBS CREATED COST ONLY $3,300 PER JOB, AN INCREDIBLY HIGH RATIO OF JOBS CREATED PER DOLLAR SPENT. THE AVERAGE IS AT LEAST TWICE THAT MUCH.

THE WDLF WORKED PARTLY BECAUSE THE FUNDS IT LOANED OUT WERE USUALLY MATCHED BY FUNDS FROM FEDERAL COMMUNITY DEVELOPMENT BLOCK GRANTS. UNFORTUNATELY, THESE BLOCK GRANT FUNDS HAVE BEEN SIGNIFICANTLY REDUCED. THIS IS A CRUSHING BLOW TO THOSE OF US TRYING TO POOL RESOURCES TO STIMULATE OUR LOCAL ECONOMIES.

MANY COMMUNITIES HAVE INVESTED HEAVILY IN PROGRAMS TO USE THESE BLOCK GRANT FUNDS. IN ESSENCE, THEY'VE BEEN SPINNING THEIR WHEELS, SINCE STAFF MUST NOW BE DROPPED AND PROGRAMS DISSOLVED BECAUSE FUNDS ARE LACKING.

WHAT'S MORE, CHANGING FEDERAL REGULATIONS ARE MAKING IT MORE AND MORE DIFFICULT FOR STATES TO INITIATE INNOVATIVE PROGRAMS TO FOSTER ECONOMIC GROWTH.

IN LIGHT OF THESE DIFFICULTIES, I WOULD LIKE TO RESPECTFULLY SUBMIT THREE MAJOR RECOMMENDATIONS TO THE COMMITTEE.

FIRST, I WOULD PROPOSE THAT FEDERAL FUNDING FOR ECONOMIC DEVELOPMENT ACTIVITIES BE MAINTAINED AT CURRENT LEVELS. CERTAINLY, MY PREFERENCE WOULD BE TO SEE SUCH FUNDING INCREASE, BUT HAVING GRAPPLED WITH FUNDING REQUESTS MYSELF, I KNOW IT WILL BE A GREAT CHALLENGE SIMPLY TO MAINTAIN EXISTING LEVELS.

EXPENDITURES FOR ECONOMIC AND COMMUNITY DEVELOPMENT CONSTITUTE A SOUND INVESTMENT THAT BRINGS A GOOD RETURN. SUCH EFFECTIVE USE OF GOVERNMENT RESOURCES CAN TURN TAX-USERS INTO TAXPAYERS. SUCH RESPONSIBLE SPENDING CAN CURB DECAY AND END DESPAIR.

FAILURE TO INVEST WISELY CONSTITUTES MORE THAN A LOST OPPORTUNITY TO UPGRADE THE QUALITY OF LIFE IN A GIVEN AREA. THERE ARE SHORT AND LONG-TERM CONSEQUENCES WHEN WE CHOOSE NOT TO INVEST IN THE FUTURE. POVERTY COSTS MONEY. UNEMPLOYMENT COSTS MONEY. DECAY COSTS MONEY. URBAN BLIGHT COSTS MONEY. THESE COSTS DON'T END AFTER A FEW YEARS, BECAUSE CHRONIC UNEMPLOYMENT LEADS TO CHRONIC POVERTY, WHICH IS OFTEN MULTI-GENERATIONAL. CHRONIC UNEMPLOYMENT AND POVERTY ARE OFTEN PASSED FROM FATHER TO SON, MOTHER TO DAUGHTER -- IN A PERPETUAL CYCLE OF DISINTEGRATION.

GOVERNMENT CAN, AND HAS, INTERRUPTED THIS CYCLE IN CERTAIN AREAS, BY EMPLOYING THE WISE SPENDING PRACTICES I AM ADVOCATING. ON FUNDING, LET'S HOLD THE LINE. TO DO OTHERWISE COULD PORTEND DISASTER IN OUR INNER CITIES AND OUR RURAL COMMUNITIES.

THE SECOND BROAD RECOMMENDATION I AM OFFERING DEALS NOT WITH MONEY BUT WITH REGULATION. FROM THE FIRST DAY OF THE CURRENT ADMINISTRATION'S RISE TO POWER, WE'VE HEARD A GREAT DEAL ABOUT INCREASING STATE'S RIGHTS.

HOWEVER, STATE POLICY MAKERS AND AGENCY HEADS ARE CONSTANTLY DELUGED WITH NEW FEDERAL REGULATIONS. REGULATIONS THAT PLACE SO MANY RESTRAINTS ON HOW WE CAN USE FEDERAL FUNDS, THAT IT IS ALMOST -- I REPEAT ALMOST -- TEMPTING TO FORGO THE FEDERAL FUNDS TO EVADE THE STRINGENT REGULATION THAT ACCOMPANIES THOSE FUNDS.

AS YOU DEVELOP PROPOSALS ON HOW THE FEDERAL GOVERNMENT CAN BETTER PROMOTE ECONOMIC GROWTH, PLEASE CONSIDER THIS -- THE STATES MUST HAVE THEIR ADMINISTRATIVE HANDS UNTIED BEFORE WORK CAN PROCEED. PLEASE PROVIDE THE STATES WITH GREATER FLEXIBILITY AND DISCRETION IN ADMINISTERING FEDERAL PROGRAMS. ENCOURAGE INNOVATION AT THE STATE AND LOCAL LEVEL. ENCOURAGE TARGETING TO THOSE AREAS WITH THE GREATEST NEEDS.

PEOPLE CLOSER TO THE PROBLEMS CAN DETERMINE WHICH NEW APPROACH WILL WORK BEST AND WHERE IT WILL BE MOST EFFECTIVE. ENABLE US TO DESIGN SOLUTIONS TO ADDRESS UNIQUE CONCERNS AND DEVELOP SPECIFIC SOLUTIONS TO SPECIFIC PROBLEMS. THE BROAD BRUSH APPROACH HASN'T WORKED WELL. IF YOU UNTIE OUR HANDS, WE WILL BE ABLE TO USE FEDERAL FUNDS TO BEST ADVANTAGE.

ALSO, STATE AGENCY CHIEFS HAVE TOLD ME THAT THEIR FEDERAL ADVISORS SPEND MORE TIME TELLING THEM WHY A PROGRAM WON'T WORK, INSTEAD OF TELLING THEM HOW TO MAKE IT WORK. WE NEED THE ADVISE AND ASSISTANCE OF FEDERAL AGENCIES, NOT THEIR DISCOURAGEMENT. WHILE SUCH INCIDENTS ARE UNCOMMON, THEY CAN BE DEVASTATING WHEN THEY OCCUR.

MY LAST SUGGESTION ADDRESSES THE POSITIVE EFFORTS MADE BY THE FEDERAL GOVERNMENT TO STIMULATE ECONOMIC GROWTH. I WOULD ASK THAT YOU CONTINUE FUNDING AND DEVELOPING EFFECTIVE PROGRAMS, INCLUDING THE COMMUNITY DEVELOPMENT BLOCK GRANT. IT'S WORKING. PLEASE STICK WITH IT.

I HOPE YOU WILL CONTINUE TO BE INNOVATIVE AND CREATIVE AS YOU DEVELOP PROPOSALS IN CONGRESS, INCLUDING ENTERPRISE ZONE TYPE LEGISLATION AND PROPOSALS TO DEVELOP SMALL BUSINESS INCUBATOR FACILITIES. SUCH PROGRAMS HAVE TREMENDOUS POTENTIAL TO CURB URBAN BLIGHT. PLEASE KEEP PUSHING FOR THIS TYPE OF LEGISLATION.

SENSIBLE USE OF REPOSSESSED PROPERTIES IS ANOTHER GREAT HELP. HUD PROGRAMS TO MAKE REPOSSESSED HOMES MORE AFFORDABLE CAN STAVE OFF DECAY IN OUR NATION'S ECONOMICALLY DEPRESSED COMMUNITIES. SUCH PROGRAMS SHOULD BE EXPANDED TO KEEP MORE RESIDENTIAL AND COMMERCIAL PROPERTIES OCCUPIED.

THE FEDERAL GOVERNMENT HAS GIVEN VALUABLE FINANCIAL SUPPORT TO A VARIETY OF COMMUNITY AND NEIGHBORHOOD ORGANIZATIONS PROVIDING ESSENTIAL SERVICES TO LOW-INCOME PEOPLE. THESE NON-PROFIT GROUPS NEED MONEY TO SURVIVE AND CONTINUE OFFERING SHELTER, FOOD, CLOTHING, AND SERVICES TO LOW-INCOME PEOPLE.

SADLY, FEDERAL FUNDING TO NON-PROFIT GROUPS IS DRYING UP AND MANY SERVICE ORGANIZATIONS MAY FADE AWAY AS A RESULT. ALLOWING THIS TO OCCUR IS NOT ONLY FISCALLY IRRESPONSIBLE, IT'S INHUMANE TO THOSE WHO RELY ON THESE ORGANIZATIONS FOR SURVIVAL.

I IMPLORE YOU TO PUSH FOR MORE FUNDING FOR NON-PROFIT SERVICE GROUPS AND INCREASED ADMINISTRATIVE FEES TO HELP ENSURE THEIR SURVIVAL. THESE SERVICES ARE KEEPING A TRICKLE OF BLOOD FLOWING TO OUR MOST DOWNTRODDEN CITIZENS. IF WE CUT OFF THAT LIFE'S BLOOD, THE TASK OF REBUILDING OUR INNER CITIES WILL BE RENDERED EVEN MORE DIFFICULT.

IN CLOSING, I WOULD LIKE TO REITERATE MY THREE KEY POINTS. 1) THE STATES NEED A STEADY SOURCE OF FEDERAL FUNDS 2) FEDERAL REGULATIONS SHOULD ALLOW THE STATES MORE FLEXIBILITY TO DEVELOP PROGRAMS AND TARGET FUNDS, AND 3) OUR JOB IS MADE EASIER BY CONTINUED FEDERAL SUPPORT FOR HOUSING PROGRAMS AND NON-PROFIT SERVICE GROUPS NOW TENDING TO THE BASIC NEEDS OF LOW-INCOME PEOPLE.

IF WE CAN BE ASSURED OF THESE BASICS, WE WILL BE ABLE TO CONTINUE DEVELOPING EFFECTIVE PROGRAMS LIKE THE WASHINGTON STATE DEVELOPMENT LOAN FUND MENTIONED EARLIER.

I THANK YOU VERY MUCH FOR THE OPPORTUNITY TO CONTRIBUTE TO THE DISCUSSION ON THIS ISSUE. I ALSO THANK YOU FOR COMING TO SEATTLE TO CONSIDER OUR INTERESTS AND CONCERNS.

OUR HOPE IS THAT THE SUGGESTIONS AND RECOMMENDATIONS MADE HERE TODAY WILL BE TAKEN INTO ACCOUNT AS YOU DETERMINE FEDERAL POLICY FOR CONQUERING POVERTY AND ECONOMIC DECAY.

THANK YOU.

Senator SIMON. Let me address this question to all three of you. First of all, just a general question. Mr. Fitzgerald mentioned a shrinking middle class. This is happening all over the country. It is not dramatic, but it is there. Some people moving up, more people moving down.What we are building ultimately is social dynamite, with that. My observation has been that as we move toward accepting more and more that we are becoming an information society, service society, that we will simply accelerate that trend; that what we have to do is encourage the manufacturing base of this country much more than we have been. Any reflections from any one of the three of you on that?

Mr. Fitzgerald?

Mr. FITZGERALD. Actually I think this sets up a dichotomy or a bit of a conundrum. What we are seeing here is manufacturing is increasing productivity, increasing capacity. Manufacturing production capacity is accelerating, not shrinking. But the employment based on that is shrinking. As an example, the wood products industry. To remain competitive, companies have determined that they have got to employ the maximum amount of new technology and processing, constantly driving for higher levels of productivity and efficiency because they are competing in a global economy. The result of that is that they become more efficient, they need less and less and less people. And that is true in a lot of industries that are changing. If they have been in manufacturing, that is one of the drivers, is science and technology is making them so much more efficient. It almost looks like what might be happening there is similar to when we switched from an agricultural society to an industrial society. Now we are going on to whatever is next.

The dilemma that I foresee—and it is one that we are not even attempting to deal with here because we would not even know where to begin—but if this is a long-term trend and to remain competitive, we have got to employ a maximum amount of new technology and processing. If that is a given, then I think likewise we are obligated to figure out constructive productive work for all of those who are not going to participate in that system. And that has got to be a national agenda, I think. States cannot do that on their own, although I think every State is going to have to tailor and work on initiatives.

But I foresee that if you project this 20 years from now—and that is what we are trying to do—or imagine what it is going to be like, that is going to be a big issue, I believe. And we are seeing just the beginning, the seeds of it, right now.

Senator SIMON. Any reaction from either of you here on that?

Mr. KENNEY. I do not care what kind of society we are going towards. Even with an information society, it seems to me we can pay adequate wages and we can give people decent jobs, and that is the function of the bargaining position of management right as opposed to workers. And it seems to me that full employment is one place where you begin so that the employers do not have that broad pool of people out there wanting any job at any price, so that workers can be hassled.

The second is to strengthen the labor laws so the workers have the rights the laws are supposed to give them. Put people on the NLRB who are interested in maintaining equal balance in the workplace. Get rid of this business of first you get the cards, then the employer has a year to terrorize the workers and then have the election. Get the cards, then the election, then the mandatory bargaining, so the workers are given a free right to organize if indeed they want to.

Justice delayed is justice denied in labor law more than any place. And whatever kind of society we have, we do not have to go to this polarization. It seems to me that is an acceptance of a lot of people, that jobs necessarily have to be bad if they are not out in the woods, if they are not manufacturing something, or if they are not doing something that is historically productive. And if you just give workers the tools to work with, they will take care of your problem for you, Senator.

Mr. VEKICH. Just to add to that, I think any foundation that is based on an information sector totally is a shaky foundation. When people quit producing things of value, then we are going to have spinoff problems. In this State we have seen a lot of basic industries suffer eventually at the same time. And I would be concerned about that.

Senator SIMON. Just a couple of observations on the bill that is pending. I glanced through your statement here, Mr. Kenney. On point two, there is no one whose income would not be increased under this bill. No one's income goes down. In fact, in some States—the State of Washington is not that dramatic because you are among the more generous in terms of welfare payments here—but in the State of Mississippi, for example, the average welfare payment to a family, average family welfare payment, is $92 a month. For most States there is some substantial increase in average income.

And then as far as the comment, Mr. Fitzgerald, of cost, $8 billion, it is a lot of money. I think we have to ask also, what does it cost not to do it? What does it cost in higher crime rates, increased teenage pregnancy, all the other things that go with high unemployment? Eight billion is one-fourth of what this administration requested this year in increase in the defense budget. It is less than one percent of our total budget.

In fact, the question really is not whether we can do better in the employment area. The question is whether we want to make it a priority. And my strong feeling is that we ought to make it a priority.

Mr. FITZGERALD. May I respond to that?

Senator SIMON. Yes.

Mr. FITZGERALD. I was not expressing philosophical disapproval of it, just practical; can you get it through the Congress?

I think we have not done a good job—not in this State and probably not in this Nation—of documenting or even closely evaluating what are the costs of unemployment and the declining spiral that it creates, and you mentioned two. But there are many. I mean, the increase in spouse abuse, the increase in alcoholism. And once people hit a level where they have lost their identity, they have lost their confidence, it is very difficult to bring them back from that.

And what is clear now is whoever does best economically 20 years from now are going to be those societies, those areas, that have unleashed the maximum amount of genius, creativity, independence, and confidence among the general populace, that we cannot be looking at just having a few elite managers and a handful of competent workers. We have got to get that all the way through the core of the society. And if we do that, we are going to unleash a burst of creativity. I think your bill would probably drive us towards that.

Senator SIMON. Senator Adams.

Senator ADAMS. I am very concerned about the comment that all of you have made as a common theme, which is the middle class in the United States is gradually losing ground. And I have two basic questions that I want to address to this panel. The first one is, we have had a number of Federal contracts in this State, and a number of communities that are very dependent upon this Federal activity.

Mr. Fitzgerald, how will your board address worker dislocations when Federal contracts or Federal activities begin to cease or are dramatically reduced?

Mr. FITZGERALD. We do not have answers to that right yet, Senator. We have formed a task force specifically to look to that, called the Distressed Areas Task Force, to begin dealing with the areas that are already documented. And, just quickly, there are about 21 counties now in Washington designated as distressed areas, which means that the unemployment level in those counties has been 20 percent higher than the entire rest of the State for the past three years. We do not know. We are just beginning to really put that under the microscope and try to figure out what can you do. But I think what is already clear is that there is not one big solution; it is a lot of things. Everybody has got a role in this. The Government clearly has a role.

The private sector has got to play a larger role. And what is clear now, if businesses are not willing to be more aggressive to provide more initiative to help these areas regroup, they are going to end up having to pay it in taxes and some other way because of the social deterioration that is going to take place there. So, they are better to try to help work with us, and many are, in kind of a search for new solutions for these areas to try to identify new commercial opportunities.

For instance, in Hanford, while we do not know what the final disposition there is, if the decision is to not allow the nuclear business to go on there anymore, there is a core of highly technically trained talent, probably a critical mass of scientists far out of per capita to the other areas of the United States. There has got to be a lot of other things those people could do to apply that. But if we just wait and do not do anything—if the Government does not help, if the private sector does not help, the State and local areas do not help—those people are all just going to trickle away. They are going to have to. So, now is the time to be addressing those kind of issues up front. What those specifically ought to be, we do not yet know.

Senator SIMON. Would my colleague yield, if I can just follow through?

Senator ADAMS. Yes.

Senator SIMON. Mr. Kenney mentioned, if I remember your figures correctly, 11,000 shipyard workers out of work, only 500 of whom get help by Title III of the Job Training Partnership Act, which is an amazing statistic. What do you do specifically in that kind of situation?

Mr. FITZGERALD. With all of them that are out of work?

Senator SIMON. Yes.

Mr. FITZGERALD. Right now, if they do not show up on unemployment rolls or get into a retraining program—and Ike Turner will address that later on in this hearing—of which this State has, I think, model training programs in the United States and retraining programs, all that said, it is still picking up a minor group of those. And I think we do not clearly know what happens to all those people. They have to relocate. The only thing you know for sure is they probably lose their houses. They lose their cars. They do not have money to pay their mortgage payments anymore. They leave. They relocate. But it has got to be wreaking havoc on their families. That is what we do not understand well in this State or in this society. What kind of social forces are we creating? What is the ripple effect of those? They cannot afford to educate their children anymore if they are going to college. They cannot afford to pay for their college anymore. There are no longer Federal programs to do that. It just ripples on out endlessly. Larry would probably know exactly what the disposition of those people is better than I. I do not think we have documented it well.

Senator ADAMS. The reason that I placed the question, is we will be introducing legislation with regard to whether there should be a taxation on defense contracting or percentages set aside for what in effect is relocation. But that is just part of it. I am hopeful that the private sector will be looking at the fact that if you are going to increase, for example, employment in the aviation related industries, for example, the relocation of portions of that new production part be in the areas where you already have the skilled work force, where you are just doing a basic practical thing. You do not have to go out then and retrain everybody, but you move in with sections.

I know, this is going to be discussed with later panel members. But I want to see that we are all thinking about the fact that we have trained people or we are training people, and often we go through this cycle, starting at ground zero, and leave out those who already are capable and therefore make your economy more efficient and more competitive because you are using the best of the skills you already have rather than spending long periods of time doing enormous amounts of retraining.

And on the world economy sector, one of the interesting parts is in the conclusion of that enormous tome by Halberstam, THE RECKONING, is in the last part of it where he cautions America. This goes, Mr. Kenney, to your position and Mr. Vekich, which is that we should not try to copy what is being done in another nation, that one of our unique skills is the ability to use the political and the economic process to do something new and leapfrog. In other words, we have a resource country, which means that you do not copy a non-resource country which has to go through value added in order to produce a product. But you try to internalize your resource integration with your service industry so that you produce a product that is competitive worldwide because you already have the resource within your Nation. You do not have to buy it abroad and shift it back and forth. Now, I would like to know, Mr. Kenney and Representative Vekich, what you see as the niche for not just the Washington State economy, but the United States economy in the world as it is shifting out there. We do not want to be all things to all people. We just want our place in it. And as a mighty Nation of both resources and people, what do you visualize? And, Mr. Fitzgerald, if you want to throw in. That is my last question, Mr. Chairman. But you are our first panel to just state, what do you think we do in the world that maintains our standard of living?

Mr. KENNEY. I think some of the things we have either addressed or alluded to in the testimony is the fact that frankly we do not know what skills we have available. There really has been no skills assessment of the kind of unemployed people we have. We do not know what it is we have got to offer. We do not know what it is really we can do. And, it seems to me, the first thing you have got to do is just start out with some kind of knowledge.

But let me get back to a couple points you made earlier. One is essentially the Tri-Cities question, Brock. The Tri-Cities was built and has been maintained for years by the Federal Government. If the Federal Government were now to say we do not need the N-reactor, we do not need this, we do not need that, and we will just shut it down and walk away, I think is the kind of behavior that we have accused corporations of, and it is completely irresponsible. They have no right to do that. They have no right to simply say, "Let us shut it down and go away and these people will do the best they can."

If the Federal Government finds they do not need the plutonium, if they find it is best to shut down the N-reactor, if that is your decision, concomitant with that is a responsibility to throw some money into the Tri-Cities area one way or another to help people make the transition. There are, as you point out, bridges to be built, roads to be repaired, all kinds of infrastructure things to be done in the Tri-Cities as well as everywhere else. And it seems to me that is a responsibility on the part of the Government.

Then, to get back to the $8 billion; $8 billion is peanuts, frankly. Washington State gets about two percent of Federal funds for job activities, 1.67 to 2.3 over the years. JTPA funds amount to a couple billion dollars nationally. That's $40 million in this State.

For 200,000 unemployed people, that is probably less money than the Unemployment Insurance Fund pays out in the period of a month. It is a hell of a lot less than is paid out to injured workers every month. If we are going to talk about retraining people, we have got to look at it seriously, and it is going to cost some money. We will get it back, but only in the long run.

Frankly, if people are not worth investing in, what the hell is? It seems to me that there has got to be a commitment on the part of the Congress that if it costs, it costs, because the people are worth it because that is all, when you come right down to it, that we have got.

Senator ADAMS. Mr. Vekich.

Mr. VEKICH. In the State of Washington where we are doing well is where we are exporting or where we are producing quality products. I do not know if that can be translated to the rest of the country. But where our crops produce the best apples or where we are producing Douglas fir lumber, we are doing okay there in relation to those markets. And I think that is quality stuff in selling. And I do not know if we can translate that nationwide. But it works to some degree in this State.

Our agricultural depression is behind the rest of the Nation's for the most part because we have dealt with the quality niche, and we have occupied that one with our best products and a good chunk of our agricultural products. It works at least in this State and it has worked, even if all it has done is forestall the coming farm depression in this State.

Senator ADAMS. Thank you, Mr. Chairman. Thank you all very much.

Senator SIMON. We thank all of you. And if I can just add one comment, I would not agree more with Mr. Kenney on his final statement. Government, just like individuals, can make wise investments or poor investments. The best investments we can make are in our people and to upgrade their skills, and we clearly can do much, much better than we are doing in this Nation right now. We thank all three of you very, very much.

Senator ADAMS. Mr. Chairman, I would ask unanimous consent that the report referred to by Mr. Fitzgerald be placed in the file for examination by all the committee members.

Senator SIMON. It will be.

The next panel is on the impact of unemployment. Ralph Burnett from Chehalis, Washington. Paul Wysocki from Seattle, Washington. And John Poling from Moses Lake, Washington. First, Mr. Ralph Burnett.

STATEMENT OF RALPH BURNETT, CHEHALIS WA; PAUL WYSOCKI, SUPERVISOR, AFFIRMATIVE ACTION UNIT, SEATTLE HUMAN RIGHTS DEPARTMENT; AND JOHN POLING, DEPUTY DIRECTOR, GRANT COUNTY COMMUNITY ACTION

Mr. BURNETT. Thank you, Senator Simon. By way of introduction, my name is Ralph Burnett. I am an unemployed worker from Chehalis, WA. I spent 20 years in the logging industry. And in September of 1986, I became officially unemployed as a result of partial plant closure. Prior to 1986 and 1984, I was off work for seven months due to a temporary indefinite shutdown. And so between the period between 1984 and 1986, I probably worked about a year in total. The rest of the time I have been unemployed. I currently have been unemployed actually almost 14 months because my last work day was the 11th of June in 1986, and then the Weyerhaeuser Company employees went on strike for 45 days. After that there was a period of time when they were making a decision on whether or not they were going to close down the operations from the 25th of July until the 2nd of September, and then at that point I become unemployed.

I have seen a lot of things happen in those times. It is very difficult to spend five minutes talking about it. It would be very difficult to express the anger that I have in five minutes. It would be very difficult to express the concerns that I have in five minutes. And I have submitted some testimony to the committee, some written testimony, which I probably will not use much of in my remarks today.

I also have several letters from dislocated workers and people who have worked with programs, employment security in the State of Washington, I would like to submit for the record after I have presented my testimony.

Senator SIMON. We will enter it in the record.

Mr. BURNETT. I do not know where to start. I heard Larry say some very good comments. I heard the gentleman from the economic development and Max Vekich say some good comments. I do not want to talk to you generally about statistics. I want to talk to you about what is really happening with unemployed workers and how I feel that S. 777 would be of great value to some and little value to others.

In my particular circumstance, because of the fact that I made more than $17,000 in a particular year, which would have been the base year if this thing was in place right now, I could have been unemployed under the terms of this bill for the amount of time that I have been unemployed and still not be qualified to have a job. That is true in almost all cases of people who are the victims of plant closures and mass layoffs that we experience in our primary industries or whatever you want to call those industries such as timber and shipbuilding and steel and aluminum and so forth.

There are a few programs, very good programs, out there for workers who are dislocated through the Title III program of JTPA. But, as Larry pointed out for the shipbuilders, there was 500 in the area where I live, where the unemployment rate is currently at 12.8, and that is the lowest it has been in a long time. The sum total of programs available in the last year was for 200 people. Fortunately I qualified for one of them. It is a very good program. It is called the Timber Project. And through the Timber Project I have been able to go ahead and get an education. And on the 13th of August, with any luck at all, I will be able to get a certificate that will allow me to go into an entirely different career in the field of accounting and perhaps become a productive member of society again.

I have seen a lot of things that I would like to see changed. We are talking a lot about money here, and every time that you talk about money and programs and so forth, you run into opposition. But I think there are some things that would be very valuable, particularly to people who face plant closures and mass layoffs, that could be done at not a great deal of expense.

You asked the question a while ago about what happens to these people and where do they go. And one of the things that was responded to was, well, they probably lost their home and their car and everything else, and they had to go someplace. That is exactly what happens. The way things are set up in our economy, generally speaking, when an individual wants to acquire that cornerstone of the American dream, which is your own home, you commit about 25 percent of your income to that. On the day that you go to work on Friday morning and they announce that afternoon that you are not going to come back to work again, the plant is closed, you have still got that $600 or $800 mortgage payment. You have got 26 weeks of unemployment, and you have got whatever you have been able to save. That $800 or $600 payment is a millstone around your neck. It is the thing that causes most of the problems initially. It is the thing that you cannot meet the commitment to. But it is the thing that is necessary to maintain your family, your standing in the community, and your own feeling of personal self-worth. It is something you strived for. It is something you thought was a valuable asset, and it is no longer anything but a real liability and a real problem. I suspect, however, though, it would not be too difficult, without committing a lot of resources in areas where there are plant closures, where they meet the criteria in a community where there is, say—where I live there are 5,000 people in the community. And when the Weyerhaeuser shutdown that I was involved in occurred, 125 people lost their jobs in that community. If there would have been a program available to us to extend our mortgages, no money—I am not asking for any money, I am just asking to say refinance. Take that front year of payments that you have got, add it on to the back year of your mortgage, the dislocated worker could probably make the interest payments. But it would be a substantial help, and it would relieve you of a burden and the panic. And it would be a very positive thing.

The second thing that needs to happen is there needs to be consistency. In the logging operation where I was working there was, like I say, 125 people laid off, but there are three individuals I will talk about, myself, another friend of mine, and another. We all had basically the same circumstances. We are in our mid-forties. We have been employed for 20 years, and we were all dislocated. The difference was one of us lived in Lewis County, myself; another lived in Thurston County, and another lived in Pierce County. It is not very far in distance. We are only talking about probably 45 miles in distance apart. And yet I qualified for a timber project, which has been very good to me, which has paid for my education. It is a dislocated worker program. The fellow who was in Thurston County did not qualify. He did not qualify for any kind of program because of the economics, I guess, the unemployment rate or whatever in that county. And the fellow in Pierce County was told flat out they could not do anything for him because the job market in Pierce County did not include particularly anything that was good for reemploying loggers. It makes people very angry when those kinds of things occur.

So, I am trying to say a lot of things that I want to say in a very short period of time. I think what I will do now is just maybe point out some of the things that I think, from my experience, would be very positive things to do.

First of all, I would like to say that from my experience and the people I have talked to—and a lot of the people in Lewis county have gone way beyond the six months unemployment benefits that they have had. In fact, they have requalified and gone beyond the next six months, if they had that sufficient, and they have completely run out of benefits. If you go for a job interview in Lewis County, you probably have ten other people there at the same time you are being interviewed because the jobs are so few and far between.

If you go into the unemployment office and look at the list of available jobs, it will be generally on a typewritten sheet as big as this one, and that is what is there. Generally about 2,000 people competing for those jobs. And in the first six months that I was drawing unemployment, I was interviewed by 135 employers and told no. That is kind of a devastating experience. A lot of those no's was because I was overqualified. And if I was going to take a job that paid five or six dollars an hour and something better came along, I would leave. And so they did not want to hire me because they did not want to take a chance on that.

That points out one of the critical things of the need for retraining because that same employer, after I have been retrained, will say, "Well, hey, he is interested in this field because he has gone to the trouble of taking the retraining. He wants to make a career out of it," and he will hire me. The qualifications may not be any better, but at least I showed that I am interested in pursuing that field.

Getting back to your bill, those people that have gone beyond will not get back to work unless something occurs to help them, and I feel very strongly that this type of legislation is very good in that. I have also looked at some of the controls. And I have had some experience. I spent a couple years on a private industry council when it was first initiated in our area. And I like what I see in your bill in relationship to how the committee has structured who is going to deal with the programs. I think it is much more fair, and it will be much more able to deal with the programs than the private industry councils have.

So, with respect to the philosophy, I am really happy to see that there is a philosophy, that there is a need for us that are unemployed to get some help. And I think that some of the provisions of your bill are very good. And I am very supportive of that. I just believe that it does not go far enough.

And when I look and see from my own experience and the experience of people who have faced plant closures, who have been making reasonably high salaries—I mean, I was making $15 an hour when I was employed, and the same with most of the people—when we go back to work at $6 an hour, we are going to be starting over again basically. We are going to have to have some assistance with some of those financial obligations that we had incurred at the higher rate, if the economy is not going to collapse, and so on and so forth.

I think really, as I have looked things over, the first step that is going to have to take place if we are really going to break the cycle of unemployment in this country and really get people back to work, is we are going to have to look very carefully at some realistic plant closure legislation that requires some prior notice and some economic responsibility on the part of these employers. And I know there is a lot of opposition to that. But I will tell you this, most of those plant closures that occur occur where people are making high rates of pay, where they are unionized, and they are occurring in just a minor segment, numberwise, of the economy of the big multinational corporations. The small businessman who makes up a majority of who is going to have the new employees in this country and everything else are hurt just as badly as the employees who lose their jobs when these closures occur.

And I believe it is time that we stopped looking at, because a man has $7 million, we ought to pass legislation to give him three more so he has got ten, and start looking at the 200 million people out there who would just like to have a decent living and be able to work and enjoy life in the United States of America [applause].

Senator SIMON. Thank you for your eloquent testimony. Your prepared statement and letters in support of your testimony will be inserted in the record at this point.

[The prepared statement of Mr. Burnett with attachments follows:]

RECEIVED
SENATOR BROCK ADAMS
JUL 24 1987

TESTIMONY
By Ralph D. Burnett
Before the Senate Committee on Labor and Human Resources
July 27, 1987

Mr. Chairman - Members of the Committee:

Thank-you for the opportunity to speak today on S777. I would also like to discuss briefly the problems of dislocated workers in Washington State, some of the programs currently available to help them, and possible solutions to those problems.

My name is Ralph Burnett. I am a dislocated worker from the timber industry in southwest Washington. I became unemployed after 20 years with the Weyerhaeuser Co., as a result of a partial plant closure. I have been unemployed since June 11, 1986 and in the past year have experienced the many problems associated with being a dislocated worker.

Let me start by saying I support S777, and as a dislocated worker I am glad to see that Senator Simon, by introducing the bill, and the committee, by holding this hearing on tne bill, recognize the needs of the unemployed and are willing to make a committment to help them.

While I support S777, and believe that it will help greatly to re-employ the long term unemployed and return a large number of previous employed workers to the economic mainstream, I also believe that if the ultimate goal is full employment, some provisions should be made to prevent worker dislocations and to deal with the problems and the re-employment of the worker who is a victim of a plant closure or mass layoff before he experiences the emotional and financial losses necessary to make him eligible for employment under the provisions of this bill.

By way of explanation of my previous comment, workers who are dislocated by plant closures, in the State of Washington, are generally in the primary industries...timber, steel, aluminum, manufacturing and construction. Their earnings, for the most part, are substantially higher than the average wage. Under the provisions of S777, which says in order to be eligible for this program, your income for the previous year must be less than $17,000, a large majority of the dislocated workers are prevented from seeking employment under this program until at least the 2nd year of their unemployment. The needs of these workers to return to employment and be a productive member of their community is no less than it is for an individual who has worked for a lessor income and provisions should be made to assist them to become re-employed as soon as possible.

From my experience, and the experiences of other dislocated workers with whom I have talked, I find that dislocated workers, particularly victims of plant closures and mass layoffs face the same problems:

1. Emotional
    a. disbelief
    b. anger

  c. depression
  d. loss of self-esteem

As a result of these emotional problems, there is a marked increase of substance abuse, child and spouse abuse, divorce and suicide.

2. Financial
  a. loss of income
  b. loss of home
  c. loss of transportation
  d. loss of social standing in community

As a result of these financial difficulties, crime rates increase significantly at a time when communities, at a loss of their tax base, are least able to deal with them. Also there is a significant number of family members, other than the dislocated worker, who wind up on the welfare rolls.

3. Re-employment
  a. lack of available jobs in the immediate area
  b. lack of education and transferable skills
  c. age discrimination

As the result of these problems, coupled with the emotional and financial problems, many workers unable to find work prior to exhausting their unemployment benefits, cease to look for work, and wind up on the welfare rolls or as homeless, jobless wanderers.

4. Health
  a. high blood pressure
  b. alcoholism and drug abuse
  c. depression
  d. stress

As a result of these problems, many workers become unemployable, because of health reasons, and there is a 4% increase in unnatural deaths among workers who are victims of mass layoffs and plant closures.

We cannot truly understand all of the problems of the dislocated worker without also understanding some of the problems of the community caused by plant closures and mass layoffs. If 100 jobs are lost in a primary industry, an average of 72 additional jobs are also lost in that community. Approximately $3,250,000 in payroll are lost to that community annually. As a result of these losses, jobs which should have been available to the unemployed worker no longer exist, property values decline, financial assistance is no longer available, and social services to deal with the problem of the dislocated worker are not available due to the declining tax base.

There are currently some programs available to assist dislocated workers in the State of Washington. Some which are in the normal structure of government such as: unemployment insurance, and job search assistance through the State Dept. of Social Security. There are also some additional programs funded through the Job Partnership Training Act, and grants through the Dept. of Labor to assist dislocated workers. Some of the programs such as the Timber Project, and the SETS program in southwest Washington are very effective in resolving the problems of dislocated workers. As an adendum to this testimony, I have included for the record several letters from dislocated workers speaking of the help they received from these programs. The main problem dislocated workers found with these programs is their lack of funding and availability. In the 2 years that I was a member of the Pacific Mountain Private Industry Council, if we had been able to use our total funding to its maximum capacity and placed every person that participated in our programs in gameful employment, we would only have been able to provide jobs for 7% of the unemployed in our service delivery area. The Timber Project in Lewis County, which serves the needs of dislocated timber workers, was funded in 1986 at the level that allowed them to enroll 102 participants in an area that had over 2000 unemployed timber workers. The programs are good. The funding level if totally inadequate to deal with the magnitude of the problem. I have only mentioned a few of the programs. There are several others, including the establishment of re-employment centers by the last session of the legislature. They, however, are also consistently under-funded to a degree that makes them totally inadequate to deal with the problem in an effective way.

Up to now, I have given you a brief over-view of the problems facing the dislocated workers, some of the solutions available to those problems, and why I believe that S777, in its present form, isn't able to meet those needs and provide a job opportunity for every unemployed worker.

If we are going to break the cycle of unemployment created by plant closures and mass layoffs, we are going to have to address that problem and deal with it effectively. The high unemployment rates of the past 8 years has not been the result of the same individuals being consistently unemployed, but has been the result of workers on a regular bases, being dislocated by plant closures and mass layoffs in our primary industries. Many of those workers have been re-employed, almost without exception, at a job that pays substantially less than the job from which they were layed off on an average of approximately one-half. This has caused the average state wage to decline substantially over the past several years. Several of these workers have not been re-employed and several of their family members have gone on the welfare rolls.

If the cycle of unemployment, caused by mass layoffs and plant closures is going to be broken, we will need effective legislation which requires sufficient prior notice so that workers and communities are able to deal effectively with the problem of the closure so that worker dislocation and economic problems within the community do not occur. Till such time as this legislation occurs, we need to provide means of dealing with the problems that currently exist so that these workers can be returned as soon as possible to the work force. To do this, I would suggest that some programs be made available and funded at a level consistent with the need.

Lets look at the problems that need to be dealt with. Initially, the most important problem to be dealt with by the dislocated worker, is the loss of income. This is somewhat supplemented in the short term by unemployment benefits, however, these are generally not sufficient to meet the financial obligations over an extended period of time. The cornerstone of the American Dream, the ability to own your own home, suddenly becomes the millstone around your neck and the American Nightmare. The ability to maintain a place of residence becomes a primary concern of the dislocated worker. I believe that at a small cost, a program could be developed so that when mass layoffs and plant closures occur, dislocated workers could extend their mortgage for an additional year, and not have the immediate obligation of making that mortgage payment until such time as they are able to find re-employment.

I believe that S777, along with additional funding for those programs for the retraining and re-employment of the dislocated workers that have proved to be effective at a level consistant with need, assistance with refinancing of home mortgages for dislocated workers and effective legislation requiring sufficient prior notice of plant closures and mass layoffs, will go a long way towards breaking this cycle of unemployment in the State of Washington, and in effect, provide an employment opportunity for any person who wants a job.

873 Koontz Rd.
Chehalis, WA 98532
July 20, 1987

To Whom It May Concern:

When an individual is gainfully employed for most of his adult life and then – through no fault of his own – suddenly finds himself out of work with no place to go, he quickly loses all feeling of self-worth, self-esteem, and hope. This is the time when it is important to have something like the Dislocated Worker Programs available to help that person back to a full, productive life again.

Of course, such a program can't guarantee an individual a job today, tomorrow, or in the near future. However, it can instill enough self-esteem, pride and hope in a person so he can view the situation as a challenge that needs to be overcome — given the proper direction and guidance.

I know, because I've been there and back. I feel the SETS program has helped me view the future with a very positive outlook — no matter what my job outlook might be.

When I completed the Job Search Workshop, I felt very confident in my ability to prepare a resume', complete a job application, participate in an interview session with a potential employer. I was anxious to try my new found skills on the job market.

Job Club enabled me to maintain a positive attitude throughout my period of unemployment. Once a week the dislocated works would meet on an informal basis and share their experiences in the real world of job hunting. The SETS and TIMBER representatives would be there to pass on information concerning future jobs and schooling opportunities. Arrangements were made to have dinners where friends and spouses of the dislocated workers could attend and learn more about what was being done on the various programs. Job Club was a very important support activity for me and the other dislocated workers. It was like being a part of a large family.

Through funding made available by the SETS Program, I was able to take advantage of several business and management classes at Centralia College. What I have learned in these classes will prove invaluable to me in the years to come.

Given the chance, the dislocated worker can prove himself an asset to the community in which he lives.

Sincerely

Robert L Pinkerton

July 21, 1987

Employment Security Dept.
P.O. Box 1187
Chehalis, WA 98532

I was involved in the logging industry during the past 15 years. It was apparent to me that it was fast becoming a 'dead end' situation. Every year I was having more time off and less job security. Predictions for future employment were poor. The long hours required to work in logging prevented any hope for retraining, and was financially impossible.

Due to the excellent advice and counseling from the Chehalis office, the Dislocated Worker Program has given me the opportunity to retrain in a rapidly expanding field with a bright future.

I can't begin to express my appreciation for the opportunity to be part of this program.

Sincerely,

Steven West

7/22/87

Senators;

I am a 59 year old male, worked all my life ~~as~~ a trades journeyman and never had to worry about a job or paychecks to support myself & family until the past two years when the bottom dropped out in the demand for my skills & services. At this stage of my life I thought I could see a nice comfortable retirement in the future never expecting something like this would or could happen, but due to economic and political moves by the employers, local, State & Federal governments, the light at the end of the tunnel had gone out.

All my life I've read of people with severe cases of Depression and of course experienced some ~~minor~~ symptoms myself from time to time which I guess is normal. This was something different for me tho. I've always considered myself a fairly well organized person, neat in appearance, trying to look ahead and plan for the future needs of myself and family. But I always had a job and a pay check, this made doing these things possible. Now without a job & paycheck and no sign or hope of such in the future a sort of panic set in.

Before realizing how this thing was affecting me mentally a number of changes in my everyday living started taking

②

place: arguments with the spouse, depression for longer & longer periods, no sense of direction, loss of self esteem, neglecting to shave, get a hair cut etc. Not wanting to associate with Friends or relatives, wanting to isolate and ashamed to face people. Depression a very sneaky thing.

One day I realized I'd have to make a change and get control of myself and try to get myself and life back on track, before this thing destroyed me completely.

I decided I would have to leave my lifelong trade and learn or do something else to support myself & Family. After pounding on doors & checking employment agency, I was made aware of the Dislocated Workers Program thru the Chehalis Employment Security Office. They put me in contact with Sharon Nemeth at that Office and she interviewed me & enrolled me in the Dislocated Workers Program. Thru this program I gained knowledge, leads on jobs and how to get back into the job market. Most of all I was getting support from other members of the program and a lot of support and help from the counselors in the program, Sharon Glynnis, Leon and the whole staff at Chehalis.

Thru these weekly meetings I found myself coming out of the shell and starting to see hope and talking again.

After dozens of applications & interviews no job, but still hope! At this time It was realized that my problem not only was because of lack of work in my trade but trying to get into another Job I was experiencing rejection from prospective employers (Private sector & government) because of my age being over-qualified and union affiliations. (The law prohibit this but believe me it still goes on.)

At this time I started sinking again and considered myself unemployable because of the above mentioned reasons. I then went to my Counselor Sharon Newark and told her that I thought maybe I'd better drop out of the program & make room for someone with a better chance of employment than I. She disagreed with me and we then talked about starting a business of my own & the program would assist me in schooling and maybe money wise.

This is where I'm at now, I have gotten into the Janitorial Business with the Help of Dislocated Workers Program. I am State Licensed, Bonded and now am bidding jobs for this type of work. As of now I have one small cleaning job, can't live on it but I'm learning and I do have hope for the future.

To you Senators I say programs like this are needed, they have helped me, and thru association with other people enrolled in these programs I have seen the good they are doing for many others.

I urge you to continue these programs S. 777

Thank you
Malvin D. Pagel
17634 Applegate S.W.
Rochester, WA.
98579

RALPH A. ANDERSON
230 FAY RD.
CHEHALIS, WA 98532

7/22/87

Ralph Burnett
c/o of Timber Project
P.O. BOX 1187
Chehalis, Wa 98532

Dear Ralph,

Thank you for the chance to tell you what the Timber project has done for me and my family. I appreciate the opportunity to address S.777. During the summer of 1986, I realized that I would be forced to seek new employment in the near future. After much research I decided to attend the Centralia College Welding program. I worked night shift, 40 hours a week, and attended college during the day from September 1986 through January 1987 when I was severed out of my job at Weyerhaeuser. I continued attending school with the support of the Timbers project and completed a year of schooling in June 1987. The financial support from Timbers for tuition, books, and supplies and the Unemployment Compensation I was eligible to receive, enabled me to finish the school year.

I feel that because of the excellent instuctors at Centralia College I gained enough knowlege to enter the welding field. This schooling, combined with my maintainence background, made me eligible for the job that Leon and Glynnis helped place me in. I really enjoy my new job, and I cannot express fully my gratitude to the program and the people who run it. I feel that retraining and schooling is the answer for people like me who are laid off because of the changing labor market. The only question I have is, why didn't the state have programs like this years ago?

Ralph A. Anderson

Ralph A. Anderson

JAN ANDERSON
230 FAY RD.
CHEHALIS, WA 98532
7/23/87

RALPH BURNETT
c/o TIMBER PROJECT
POB 1187
CHEHALIS, WA 98532

Dear Ralph,

Thank you for the opportunity to express my feelings about the Timber project, and the impact on a family when a man loses a job after 17 years.

In September 1986 my husband, Ralph Anderson, started attending Centralia College in the welding program during the daytime. He was still employed by the Weyerhaeuser Co. as a maintainence mechanic working swing shift, but it was obvious the job was going to end, and he needed training to stay and work in this area. In January 1987, he was laid off, and the encouragement he received from Glynnis Ashley and Leon Lead helped him to stay in school and complete the term. The financial assistance he received from the Timber Project to pay 3rd qtr. tuition, books, and supplies was very helpful. The receipt of Unemployment Compensation through the Commissioners Approved Training Program made it financially possible for him to go to school full-time, and excel in his classes.

When the end of term, June 1987 arrived, Leon and Glynnis assured him that they would assist him in finding a job. One week after classes ended, he started work as a welding/maintainence person in a new plant here in town. The plant has not started production as they are in the set-up phase, he is working 60 hours a week during this phase, and he is happy! Thank you Timber Project, Glynnis and Leon, and thank you to the far-sighted Legislators who passed legislation for Timber Project and Commissioner Approved Training.

It has been several years since Ralph was last laid off because of a plant closure, but I remeber my feelings of helplessness when I saw my husband frustrated, angry, scared, and willing to accept any job that would support his family. This past year has been difficult because of tightened finances and the change of schedules, but that hopeless feeling was not there. The emotional support provided by trained counselors that expressed "we are in this together, we will assist you into a job" helped tremendously. The practical assistance in completing an application, writing a resume, and job search tips are of uncalcuable value. Thank you , Thank you.

Jan Anderson

July 21, 1987

I am a dislocated Construction Boilermaker who attended a Job Search workshop in August 1986. I then enrolled in Centralia College in the Fall of 1986 and took classes in Civil Engineering and Drafting for two quarters in the 1986-87 academic year.

Through the Dislocated Workers Program I was able to collect my unemployment benefits while attending college and the Program paid for my books, supplies and tuition for the school year. The financial support and personal encouragement I received from the staff at the Chehalis Washington Employment Office made it possible to return to school for the first time in 17 years.

In October 1986 the local Employment Office initiated a Job Club for local unemployed people. I attended regularly, until the end of the school year, every Wednesday. During this nine month period I saw many people attending the Wednesday meetings and gaining information and encouragement from their fellow members. A very high percentage did find permanent work thru persistent job searching and, in many cases, because of their Job Club connections. A large number of these people were out of work for the first time in many years and the shock was really great both mentally and financially. The Workshops and the weekly meetings, however, gave all of us the tools and direction to effectively seek out new employment.

Looking back one year I'm very glad that the programs offered at the employment office were available. For me to return to school strictly on my own would have been difficult in every way. While I don't have a full time permanent job I am making arrangements to continue on with my schooling in the Fall. My morale is very good and my family has gone thru these times with a minimum of stress and strain. I shudder at the thought of what this last year could have been for me had these opportunities not been available. I sincerely feel that such programs are essential in any area where high rates of unemployment and dislocation exist.

Sincerely

Duwayne Rader

Duwayne G. Rader

STATE OF WASHINGTON
EMPLOYMENT SECURITY DEPARTMENT

To Whom It May Concern:

I am an Employment Counselor with the Washington State Employment Security Department working on a federally funded discretionary program for dislocated workers (TIMBER PROJECT, JTPA TITLE III). I have seen first hand the effects of unemployment on individuals, families and communities.

Dislocated Workers are different than other types of unemployed people, such as long term unemployed or those who have not previously been in the labor market. A dislocated worker has a strong work history in one industry and generally has very high work ethics; he or she values work.

My experience has been that the most effective time to start helping a dislocated worker is as soon after the dislocation as possible. These newly unemployed individuals immediately begin to feel the effects of their situation. They become angry, frustrated and depressed. Their identity has been so attached to work that it is a tremendous shock to their lives and they have a difficult time finding self worth. The sooner a support system begins to work for them, the greater the chances for success.

The programs in the Lewis County Job Service Center of Employment Security designed for Dislocated Workers have been very successful by offering counseling on an individual basis group networking and support in the form of job clubs, week long job search skills workshops, retraining through formal schooling or on the job training, supportive service money for work searches and job developments and referrals. We try to enhance their employability and always maintain that the responsibility for their work search is their own. This turns finding employment into a challenge instead of a barrier. They can feel productive while looking for work.

For these and other reasons, I feel that S.777 may be effective for other unemployed people but not totally for Dislocated Workers. It is my belief and experience that programs for Dislocated Workers should be available immediately after the dislocation and should provide for job seeking skills training, financial assistance for schooling or on the job training and supportive services, counseling and group support systems. A guaranteed job may be helpful for some one who needs to learn how to be on time to a job, and how to show up every day and interact with co-workers or work within the limits of a chain of command

However, dislocated workers have these skills already. They require the skills and mental state which enable them to be competitive in seeking those positions that allow them to support their families and start building new careers.

Respectfully,

Glynnis A. Ashley

Glynnis A. Ashley
E.S. Counselor
Lewis County Timber Project

Senator **Simon**. Paul Wysocki, the supervisor of the Affirmative Action Unit of the Seattle Human Rights Department. Mr. Wysocki.

Mr. **Wysocki**. Good morning, Mr. Chairman, Senator Simon, Senator Adams. I really appreciate the opportunity to speak to you this afternoon on important issues that I see as affecting the status of persons with disabilities. I am speaking today as vice chair of our governor's Committee on Disability Issues and Employment for the State of Washington. The program envisioned in this bill, 777, is very similar to a number of other programs we have seen in the past to train people for employment. And these programs have been really important to me personally. I want to tell you a little bit about that.

Although I am currently supervisor of affirmative action for the Seattle Human Rights Department, for almost ten years prior to 1971, when the SST folded, I was a mechanical engineer at the Boeing Company. After I was laid off in the spring of 1971, I finally got into a training program that was sponsored by the Emergency Employment Act, spent a month in Berkeley, came back to Seattle, and was reoriented to work in local government. I was successful at that time to get a job that was at that time funded by the Emergency Employment Act with the city. And after almost eight months of unemployment, went back to work and have been working for the city since then.

These kinds of training programs mean more than that to me. My wife, who is also a person of disability, attained a job in 1972 with the University of Washington in the under the Conference Employment Act, which helped launch her professional career, in which she has been able to work when she needs to since then. Both of my children have disabilities, worked in the summer youth employment programs for disabled youngsters, and we have been successfully assisted with that program. My son was helped to get a job with a private retail firm, and he has now finished his fifth year with them. And my daughter started work a few months ago as an office manager for a small, durable medical equipment program.

The work experience and training that we received by these programs were helpful to all of us. My major interest in S. 777 is how it can help thousands of other disabled people in our State and across the Nation who are currently employed or under employed. Between 1970 and 1980, we saw the employment rate among persons of disability in Washington State increase from 10 to 12.8 percent, while at the same time between 1970 and 1980, the unemployment rate for other persons dropped from 7.6 to 7.1 percent. For these and a number of other reasons that relate to the economic needs of persons of disability, the Washington Legislature this last year, 1985, passed Senate Concurrent Resolution No. 22 to look at this issue.

Stating that there is an urgent need for meaningful progress in achieving employment, independence, and economic well being by persons of disability, the resolution established the Joint Select Committee on Disability Employment and Economic Participation, a terrible name, by the way. A copy of that select committee's report I submitted with my testimony because I think it covers a number of issues within this bill and the other thing.

That joint select committee was very unusual in that it included legislators from both the House and Senate and four citizen representatives, two from the Governor's Committee on Disability Issues and Employment, and two from our Developmental Disabilities Planning Council, and I was fortunate enough to serve as one of the citizen representatives.

One of our major efforts was a survey across the State of public and private employers, labor unions, and disabled persons themselves. We saw some very interesting results from this study, survey, that relate directly to the kinds of things you were doing with this bill. We saw that 29 percent of private employers and 42.4 percent of State and local government employers felt that the lack of prior experience and lack of proper training was the primary reason why persons of disability were unemployed. That is specifically the thing we are talking about here.

The labor unions agreed with that, but a little bit lower percentage rate, at 21.4. The other most interesting thing is that all persons of disability felt that there were some other issues, such as employer attitudes, involved. And 32.2 percent of them felt the primary reason that they were not getting jobs was lack of marketable skills and lack of proper training. So that we see both the persons involved and the employers agreeing on these primary reasons for this high unemployment rate. It is clear that S. 777 is designed to deal with that.

But I will just add that there were some other pieces of legislation that came out of this study, too. Several of them we were able to pass in the Legislature this year, six of them as a matter of fact. One of them is also very important to what we are trying to do here in that although you mentioned earlier, Senator Simon, that we have a large task force or large group of people who are unemployed and not counted in the roll, among persons of disability that is even greater because the Federal Department of Labor does not adequately keep track of people who are disabled in the work force, period. We do not get monthly reports. We do not get the same kind of data on our protected group as it occurs for women and other minority groups.

One of the issues that the State decided to do was to look at a study of keeping track of the data ourselves, for our own population, so we know what is happening. I feel the bill has a lot of good points to it. I have looked at it specifically from the issue of disability, and I think there are three things that I would like you to look at. One of them is in the section where income is limited to $17,000. I would hope that that would apply only to the persons of disability because many persons of disability live in a family home because of lack of other support or care needs.

Two, that in the section where it clarifies, I would hope that persons who are on supplemental security income or Social Security disability retirement would not be precluded from being involved in this program. We do not want a bill like this to establish barriers to employment.

Finally, in the area of education and training, there are some persons of disability who may not be able to meet certain ongoing educational requirements because of their disability, and I would hope that they would not be excluded from this program because of that.

Thank you for the opportunity to speak here today.

Senator SIMON. We thank you very much for your testimony, and your written statement will be included in the record.

[The prepared statement of Mr. Wysocki follows:]

Testimony before the Senate Subcommittee on Employment and Productivity

Testimony of Paul J. Wysocki, Vice Chairperson,
Washington Governor's Committee on
Disability Issues and Employment

July 27, 1987, Seattle Washington

Mr. Chairman and members of the Subcommittee. I appreciate the opportunity to speak to you today on some very important issues effecting the employment and economic Status of persons of disability.

The program of job opportunities envisioned in Senate Bill 777 has some similiarty to other programs designed to train people for work. Programs of this type have been significant to me and my family. I am currently Supervisor of the Affirmative Action Unit with the Seattle Human Right Department. But for nearly 10 years, prior to 1971, I was a mechanical engineer with the Boeing Company. After I was laid-off in the spring of 1971, I attended a training program sponsored by the U.S. Department of Labor. This program was designed to reorient unemployed professional workers in private industry to work in local governments. I obtainted a job, funded by the Emergency Employment Act, with the City of Seattle and have been employed there since.

My wife, who is a person of disability, obtained a Comprehensive Employment and Training Act funded position with the University of Washington which helped launch her professional career. Both of my children have disabilities and obtained their first work experiences through Summer Youth Employment Programs. My son has completed five years with the retail company he started work for under this program and my daughter is now the office manager for a small durable medical equipment supplier.

As you can see --these types of programs have meant much to me.

My major interest in S.777 is how it can help the thousands of persons of disability in Washington State who are currently unemployed. Between 1970 and 1980, unemployment among the disability community climbed from 10.0% to 12.8%, while it dropped from 7.6% to 7.1% for the rest of the population. Recognizing the problem faced by persons of disability, the Washington Legislature passed House Concurrent Resolution No.22 on March 12, 1986. Stating that "There is an urgent need for meaningful progress in achieving employment, independence, and economic well-being by citizens of disability" the resolution established the joint Select Committee on Disability Employment and Economic Participation. A copy of the Joint Select Committee report is attached to my comments.

The Joint Select Committee included members of both houses of the legislature and four citizens. Two representing the Developmental Disabilities Planning Council and two from the Governor's committee on Disability Issues and Employment, of which I was one.

A major effort of this Joint Select Committee was a state-wide survey of employers, both public and private, persons of disability, labor unions and others. The survey was designed to identify factors leading to the high unemployment rate for persons of disability. The results of that survey are particularily pertinent to S.777

Twenty nine percent of the private employers and 42.4% of the state and local government employers identified the primary cause of high unemployment as lack of proper training and prior experience. Labor unions agreed, but at a lower 21.4% rate. This finding is supported by the response from persons of disability who listed lack of education or marketable skills as the primary reason for high unemployment 32.2% of the time.

It is clear that the program outlined in S.777 is designed to deal with some of the problems noted in the Washington study, by providing work experience and training.

Eight seperate pieces of legislation were introduced in the 1987 legislative session as a result of this study, and six of them were passed. One bill, S.B. 5331, is directly related to the issue of employment. This bill directs the Employment Security Department to develop proposals for collection of data on the employment status of disabled persons and present those proposals to the 1988 legislature. The state of Washington is interested in collecting this data because it is not collected by the United States Department of Labor on a regular basis as is data on other minority groups. In addition, the limited data that is available from the federal agency is based on a different definition of disability than used for the census or other government programs.

I have reviewed S.777 and feel that it is generally very good, but I have three concerns.

1. Section 6(b)(2) (B). The income limit should apply only to the person with a disability, even if they are living in a family home.

2. Section 6(b)(5). This section should be clarified to insure that disability retirement programs, such as Social Security Disability Income, are not incuded. The act should not build in disincentives for persons of disability who want to work.

3. Section 14(d)(1). This section allows for a waiver to the testing requirements of Section 7(a) for persons of disability. It should also provide an exception to the requirement of Section 7(b)(2), to maintain progress toward a secondary school diploma, for some persons with disabilities.

I hope that you will review these concerns about this bill.

Thank you again for this opportunity. I will be pleased to respond to any questions or concerns about this testimony.

PW:hn

Your
Seattle
Human Rights Department

Bill W. Hilliard, Director
Charles Royer, Mayor

July 24,1987

Senator Brock Adams
2988 Jackson Federal Building
915 Second Avenue
Seattle, WA 98174

Dear Senator Adams:

Thank you for the opportunity to present testimony before the Senate Subcommittee on Employment and Productivity on July 27,1987.

Attached please find a copy of my testimony, a copy of the Final Report to the Legislature from the Joint Select Committee on Disability Employment and Economic Participation and the summer 1987 edition of Connections, the newsletter of the Governor's Committee on Disability Issues and Employment.

Please feel free to call on me if I can be of any assistance.

Sincerely,

Paul J. Wysocki

Paul J. Wysocki
Vice Chairperson
Governor's Committee on
Disability Issues and Employment

[Editor's Note: Due to printing limitations, and in the interest of economy, the above-mentioned report and newsletter submitted by Mr. Wysocki were retained in the files of the committee.]

Senator SIMON. And the final member of this panel, John Poling, the deputy director of the Grant County Community Action group from Moses Lake, Washington.

Mr. Poling.

Mr. POLING. Thank you, Chairman Simon, Senator Adams. The agency I work for was born out of the war on poverty in 1965, and our mission statement indicates that we operate an array of human service programs with the goal of ameliorating the causes and correcting the effects of poverty, which is quite a lofty goal.

In the course of complying with that mission, we have operated Federal and State contracts over the years in a ten-county, 25,000 square-mile area of this State, an area about the size of West Virginia. This is an interesting and diverse territory with a population density of less than ten persons per square mile average and a geography which borders the Rocky Mountain foothills on the east, the Washington Cascades on the west, the Canadian border on the north, and the Columbia River on the south.

The largest community is the City of Wenatchee, with a mere 17,980 persons. Second is Ellensburg, with 11,400 persons. And third is Moses Lake, with 10,390. The remaining communities in that 25,000 square-mile population area are called population centers, I imagine, for lack of a better term.

I will further describe the characteristics of this area for a couple of reasons. First and most obvious, it is the territory I am familiar with in terms of population, human need, and economy. Second, it is an area which is substantially representative of rural Washington State. And as a visitor to many rural areas of the Midwest, the Plain States, the Northeast, and the Southwest, I will assert that it is also socioeconomically representative of rural America in general.

Finally, my familiarity with the area has radically altered my perspective on what causes poverty and why people live in poverty. I was taught 20 years ago that poverty was caused by a lack of the Christian work ethic, lack of education and training, family tradition of accepting public assistance, workplace discrimination against minorities and women, and a host of other sociological factors. And indeed each of these factors may contribute to the likelihood of an individual to become poverty stricken. But the cause of poverty in a rural environment is much simpler than that. Poverty results when the supply of family-wage jobs does not match the demand of the local work force.

In agriculture, overproduction of a given crop creates a surplus. At best the crop is devalued on the commercial market and in extreme cases the crop may not be marketable at all. Devaluation may also occur when demand declines due to such causes as changing consumer practices. In the rural economy, the labor force has been devalued, and in some cases it is not marketable. Since the start of this century, the population of rural Washington has grown in relation to the need for labor. Labor was needed to turn millions of desert acres into productive farmland. Labor was needed to build the Grand Coulee Dam, to build the Columbia Basin Irrigation Project, to build Larson Air Force Base, to build the Hanford Nuclear Reservation. Labor was needed to harvest millions of trees and convert them into billions of board feet of lumber to supply construction demand in the Northwest and across the United States. The labor demands of federally funded projects, the timber industry, and agriculture served to populate the eastern half of our State.

Now the era of public works projects has become part of history. The timber industry has declined due to the demise of the construction industry. Agriculture has become technologically sophisticated to the extent that the farm laborer will soon join the ranks of the American cowboy as a folk hero rather than a significant segment of the work force.

Yet the people who built rural Washington, the people who created masterpieces of hydroelectric and agricultural production, those people and their children and grandchildren have remained on the land and in the towns that they helped bring into the twentieth century.

The rural poor have emerged in the 1980's as a surplus commodity, devalued and of an uncertain future. Like the former steelworkers of Allentown, Pennsylvania or Middletown, Ohio, they have few options for reentering the economic mainstream without structural changes in the economy and without a solid commitment on the part of Government which ensures the right of all Americans to work. The rural economy will not make a comeback in the foreseeable future. The forest products industry will probably never rise to the production levels of the 1960s and and 1970s. Agriculture will become more automated, not less. And small business, which purports to be the primary creator of new jobs, will not create those jobs in an environment where up to a third of the local population subsist on unemployment or public assistance.

Thus I fully support the concept of the Guaranteed Job Opportunity Act. And in the absence of a private sector economy strong enough to shoulder the burden of keeping pace with the labor supply—and I feel that that is an economy which never has and never will exist—subsidized employment is the only rational alternative to a growing welfare state.

I will conclude with saying that people need the jobs. The Nation needs the productivity, and a deteriorated national infrastructure desperately needs the attention. Thank you.

Senator SIMON. I thank all three of you for your testimony. Your printed statement, Mr. Poling, will be placed in the record at this point.

[The prepared statement of Mr. Poling follows:]

Grant County
Community Action Council
604 West Third Avenue / Moses Lake, WA 98837
Telephone 765-9206 or 754-4052

TESTIMONY

Before the United States Senate
Committee On Labor and Human Resources
Subcommittee On Employment and Productivity
Seattle, Washington: July 27, 1987
By John E. Poling, Deputy Director
Grant County Community Action Council

Chairman Simon, members of the Subcommittee, my name is John Poling. I am Deputy Director of Grant County Community Action Council, a central Washington human service agency, and Secretary to the Board of Directors of the Washington Association for Community Economic Development. I've been asked to testify regarding the Guaranteed Job Opportunity Act, and the impact it will have on the tragic levels of economic distress we are experiencing in rural Washington State. Before I do so, I would like to thank the Subcommittee for this opportunity, and commend your efforts to reduce the blight of unemployment which affects the wage earners, the spouses and children of more than eight million American families.

The agency I work for was born out of the War On Poverty in 1965. Our mission statement dictates that we operate an array of human service programs with the goal of ameliorating the causes and correcting the effects of poverty. In the course of complying with that mission statement, we have operated federal and state contracts in a 10-county 25,000 square mile area of this state, an area about the size of West Virginia. This is an interesting and diverse territory with a population density of less than 10 persons per square mile and a geography which borders the Rocky Mountain foothills on the east, the Washington Cascades on the west, the Canadian border on the north and the Columbia River on the south. The largest community is the city of Wenatchee, with 17,980 persons inside the city limits. Second is Ellensburg, with 11,400 persons, and third is Moses Lake, with 10,390. The remaining communities in that 25,000 square miles are called "population centers" for lack of a better phrase.

I will further describe the characteristics of this area for several reasons. First and most obvious, it is a territory I'm very familiar with in terms of population, human need, and economy. Second, it is an area which is substantially representative of rural Washington State. As a visitor to many rural areas of the midwest, the plains states, the north east and the south west, I'll assert that it is also socioeconomically representative of rural America in general. Finally, my familiarity with the area has radically altered my perspective on what causes poverty and why people live in poverty.

I was taught twenty years ago that poverty was caused by a lack of the Christian work ethic, lack of education and training, a family tradition of accepting public assistance, workplace discrimination against minorities and women, and a host of other sociological factors. Indeed, each of those factors may contribute to the likelihood of an individual to become poverty stricken, but the cause of poverty in a rural environment is much simpler. Poverty results when the supply of family wage jobs does not match the demand of the local workforce.

In agriculture, overproduction of a given crop creates a surplus. At best, the crop is devalued on the commercial market. In extreme cases, the crop may not be marketable. Devaluation may also occur when demand declines due to such causes as changing consumer practices.

In the rural economy, the labor force has been devalued, and in some cases it is not marketable. Since the start of this century, the population of rural Washington has grown in relation to the need for labor. Labor was needed to turn millions of desert acres into productive farm land. Labor was needed to build Grand Coulee Dam, to build the Columbia Basin Irrigation Project, to build Larson Air Force Base, to build the Hanford Nuclear Reservation. Labor was needed to harvest millions of trees and convert them into billions of board feet of lumber to supply construction demand in the northwest and across the United States. The labor demands of federally funded projects, the timber industry and agriculture served to populate the eastern half of this state.

Now the era of public works projects has become part of history. The timber industry has declined due to the demise of the construction industry. Agriculture has become technologically sophisticated to the extent that the farm laborer will soon join the ranks of the American cowboy as folk hero, rather than a significant segment of the work force.

Yet the people who built rural Washington, the people who created masterpieces of hydroelectric and agricultural production, those people and their children and their grandchildren have remained on the land and in the towns they helped bring into the twentieth century.

The rural poor have emerged in the 1980's as a surplus commodity, devalued and of an uncertain future. Like the former steelworkers of Allentown, Pennsylvania or Middletown, Ohio, they have few options for reentering the economic mainstream without structural changes in the economy and without a solid committment on the part of government which ensures the right of all Americans to work. The rural economy will not make a comeback in the forseeable future. The forest products industry will probably never rise to the production levels of the 1960's and 1970's. Agriculture will become more automated, not less. Small business, which purports to be the primary creator of new jobs, will not create those jobs in an environment where up to a third of the local population subsists on unemployment or public assistance.

Thus I fully support the concept of the Guaranteed Job Opportunity Act. In the absence of a private sector economy strong enough to shoulder the burden of keeping pace with labor supply...an economy which never has and never will exist, subsidized employment is the only rational alternative to a growing welfare state. The people need the jobs, the nation needs the productivity, and a deteriorated national infrastructure desperately needs the attention.

Level of Distress for Described Area

The ten-county area previously described includes the Washington counties of Adams, Chelan, Douglas, Ferry, Grant, Kittitas, Lincoln, Okanogan, Pend Oreille and Stevens. A location map visually depicting the area is included as Exhibit A of this document. A brief description of each county follows, including 1986 population data provided by the Washington State Office of Financial Management.

Adams County	Square miles-1,922. Population-13,900. Adams County has an agribased economy, is part of the Columbia Basin Irrigation Project and has a population density of 7.23 persons per square mile. The county boasts five incorporated communities and borders Interstate 90, accessing east/west commercial transportation.
Chelan County	Square miles-2,915. Population-48,900. Chelan has a relatively diversified economy and the highest population density of the ten counties, at 16.8 persons per square mile. It also boasts the largest community, Wenatchee, with a population of 17,980. Combined with East Wenatchee (Douglas County), the greater Wenatchee area is virtually urban when compared with the other counties. Chelan County is located on the Columbia River and is crossed by U.S. 2, providing east/west commercial transportation.
Douglas County	Square miles-1,817. Population-23,300. The economy of Douglas County is exclusively agribased and supported mostly by dry-lands farming. The population density is 12.8 persons per square mile and the county supports only five incorporated towns. The county borders the Columbia River and east/west commercial transportation is accessed via U.S. 2.
Ferry County	Square miles-2,200. Population-6,100. The economy of Ferry County is dominated by forestry, mining and agriculture, with forestry and mining dominating. The population density is only 2.8 persons per square mile and the county supports a single incorporated town. Located on the Canadian border, commercial transportation is limited by substantial distance to the nearest U.S. highway.
Grant County	Square miles-2,660. Population-50,500. The Grant County economy is agribased, but diversified. Substantial effort has been made to capitalize on low commercial electric utility rates (1¢/kwh), several active port districts and the existing infrastructure of a former U.S. Air Force Strategic Air Command base. Population density is 19 persons per square mile and the county is located on Interstate 90, providing east/west commercial transportation,

and S.R. 17, accessing the Tri-Cities area.

Kittitas County

Square miles-2,308. Population-25,000. The Kittitas County economy is diversified but relies heavily on Central Washington University for both employment and population. Retail trade and manufacturing are roughly equal secondary economic factors. Population density is 10.8 persons per square mile and five incorporated towns are located within the county. Located on Interstate 90 and Interstate 82, commercial north/south and east/west transportation is readily accessable.

Lincoln County

Square miles-2,310. Population-9,700. The Lincoln County economy is exclusively agribased and is supported primarily by dry-land farming operations. Population density is 4.2 persons per square mile and the county hosts eight incorporated communities. Commercial transportation is accessed via U.S. 2 for east/west service.

Okanogan County

Square miles-5,281. Population-31,600. Agriculture and forestry dominate the Okanogan economy. Population density is 6 persons per square mile and the county hosts 13 incorporated communities. East/west commercial transportation is accessed via S.R. 20 (North Cascades Highway), which is closed in winter, or by motoring south to U.S. 2, approximately 100 miles distant from Omak/Okanogan, the largest population center. North/south access is via U.S. 97.

Pend Oreille County

Square miles-1,400. Population-9,000. The Pend Oreille economy is dominated by manufacturing with services as a secondary influence. The northeasternmost county in Washington State, Pend Oreille is substantially isolated from major highway systems. The population density is 6.4 persons per square mile and the county hosts five incorporated towns.

Stevens County

Square miles-2,468. Population-30,200. Manufacturing and forestry dominate the county's economy, with services as a secondary influence. Located on the Canadian border, Stevens shares transportation access problems with Pend Oreille, Ferry and Okanogan Counties, having no direct access to major north/south or east/west highways. The population density is 12.2 persons per square mile and the county supports six incorporated towns.

It is important to note that in terms of wages paid, federal, state and local government dominates the economies of four of the ten counties and equals wages paid in other sectors in two more counties. An average of 20%+ of total wages paid in the 10-county area are the result of government employment.

It is equally important to consider several other factors when attempting to understand the character and socioeconomic structure of the area. Listed below are some of those factors:

- Most data provided is based on the 1980 Census and constitutes projection based on previous trends. The 1990 Census may reveal a radically different picture, as the period between 1980 and 1987 has been one of major economic change.

- Data calculations based on small units can appear more significant than is truly the case. As an example, manufacturing dominates the economy of Pend Oreille County (second to government employment) because a mere 400 persons out of a population of 9,000 are employed in the manufacturing industry.

- Agriculture and forestry, the economic spine of most of the counties described, are phenomenally depressed industries. An economy dominated by either or both industries is a very fragile economy.

- While the birth rate exceeded the death rate in each of the counties, seven of those counties showed a net migration loss (1980-1983) totalling 2,987 persons.

The traditional measure of economic distress in a given area is the rate of unemployment. On Table 1 (page 6), unemployment data for the 10-county area is provided for the period of 1984-1986. All statistics were provided by the Washington State Departments of Employment Security and Community Development.

Noteworthy are several facts. One is that for all but Lincoln County, the three-year average unemployment rate is 10% or higher. This compares with an 8.6% rate for the State of Washington during that same period and a 7.4% rate for the United States. Another interesting feature of Table 1 is that it brings about questions regarding the size of an area's labor force in relation to the unemployment rate. In the counties of Adams, Grant, Kittitas, Lincoln, Okanogan, Pend Oreille and Stevens, the size of the labor force declined from 1984 to 1985 in the wake of accellerated 1984 unemployment. This suggests that a percentage of the labor force either left the area, accepted another means of survival, such as public assistance, or lost hope of reentering the job market to such an extent that membership in the labor force no longer seemed viable.

Additionally, if the three years may be considered as establishing a trend in terms of the total number unemployed and the composite unemployment rate (all counties averaged for each of the three years), the trend does not provide a sense of well-being. While the national unemployment rate declined from 7.6% in 1984 to 7.4% in 1985 and to 7.1% in 1986, such was neither the case in Washington State as a whole or the ten counties discussed in particular. The state unemployment rate dropped from 9.5% in 1984 to 8.1% in 1985, then climbed upward to 8.2% in 1986. For the 10-county area, the rate dropped from 13.0% in 1984 to 12.0% in 1985, the rose to 12.6% in 1986. Parallel to those latter statistics, total unemployment (persons) in the ten rural counties dropped from a 1984 level of 15,550 to 13,900 in 1985, then rose to 14,790 in 1986. At best, the "economic recovery" is neither strong nor stable. At worst, there may be no recovery taking place.

Table 1
Unemployment Statistics

County	Labor Force Size	Number Unemployed	% Unemployed	% 3-year Average
Adams				12.0
1984	6,740	840	12.5	
1985	6,470	720	11.1	
1986	6,530	800	12.3	
Chelan				12.9
1984	25,190	3,450	13.7	
1985	26,350	3,130	11.9	
1986	26,930	3,450	13.1	
Douglas				10.0
1984	11,600	1,160	10.0	
1985	12,270	1,130	9.2	
1986	12,570	1,350	10.7	
Ferry				14.9
1984	2,450	410	16.7	
1985	2,560	360	14.1	
1986	2,570	360	14.0	
Grant				11.7
1984	23,270	3,040	13.1	
1985	23,210	2,670	11.5	
1986	25,410	2,710	10.7	
Kittitas				11.3
1984	11,450	1,460	12.8	
1985	11,330	1,170	10.3	
1986	11,600	1,270	10.9	
Lincoln				6.3
1984	4,320	270	6.3	
1985	4,280	250	5.8	
1986	4,440	310	7.0	
Okanogan				16.1
1984	15,560	2,620	16.8	
1985	15,010	2,350	15.7	
1986	15,110	2,380	15.8	
Pend Oreille				15.6
1984	4,160	560	13.5	
1985	3,660	590	16.1	
1986	3,440	610	17.7	
Stevens				14.3
1984	11,790	1,740	14.8	
1985	11,090	1,530	13.8	
1986	10,910	1,550	14.2	

Another indicator of economic distress is the level of membership in the community of public assistance recipients. Table 2, below, cites the May, 1987 statistics for three common forms of public assistance: AFDC (Aid to Families with Dependent Children) Regular, AFDC Employable, and Food Stamps. AFDC Regular is a welfare program which provides support to families with children in cases where adult family members are not considered employable. AFDC Employable is a welfare program which similarly supports families in which adult family members are employable but unable to obtain employment. Food Stamps are a part of the welfare system which subsidizes food costs through issuing certificates which can be used to purchase food. Data are provided by the Washington State Department of Social and Health Services.

Table 2

AFDC and Food Stamps

County	(persons receiving) AFDC Regular	(persons receiving) AFDC Employable	(persons receiving) Food Stamps
Adams	545	190	1,297
Chelan	1,999	537	4,181
Douglas	670	142	1,207
Ferry	306	119	574
Grant	2,452	860	5,062
Kittitas	795	296	1,760
Lincoln	235	49	494
Okanogan	2,117	657	4,276
Pend Oreille	617	372	1,535
Stevens	1,502	601	3,183
Total	11,238	3,823	23,551

Based on the above data, out of a total population of 248,200 persons, 4.5% are supported by AFDC regular payments, 1.5% are supported by AFDC Employable payements, and 9.5% are food stamp recipients.

Welfare and unemployment data have a tendency to understate economic distress for a variety of reasons. Among them, recipients of welfare programs must prove eligibility to a complex yet finite bureaucracy. Families which may be eligible for welfare will not be recorded as statistics unless they are both willing and able to prove eligibility. Unemployment data, similarly relies heavily on the count of persons receiving unemployment compensation. Eligibility for unemployment compensation is determined by the amount of money a worker earned during a previous period, and a person who is intermittently employed or who has exhausted all benefits is not counted as unemployed.

To complement unemployment and welfare recipient statistics, a third source of information is provided in Table 3, below. The table cites the number of persons (unduplicated count) and families served during the period of April-June, 1987 by the USDA Surplus Commodities Distribution Program. Known informally as the "Cheese Program," it supplies low-income persons with cheese, butter, flour, rice, etc., based on available USDA supplies and the amount of federal funds available to accomodate distribution. The data provided differs from unemployment or welfare data in that eligibility for surplus commodities is based on self-certification by the recipient that he/she is low-income.

While it is estimated that a small percentage of individuals abuse the program, it must be noted that the variety of foodstuffs received is narrow, the amount is small and a certain social stigma is attached to participating as a recipient. To assume that large numbers of rural Americans who characteristically distrust the government and hate welfare would stand in long lines to receive a two-pound brick of cheese, a box of powdered milk and a five-pound sack of flour is likely a profound error in judgement.

Data provided below are not separated (in all cases) by county and include Native American tribal data which span more than one county. Statistics were provided by Chelan-Douglas Community Action Council, Grant County Community Action Council, Kittitas County Action Council, Northeast Rural Resources Development Association and Okanogan County Community Action Council as well as the State of Washington Department of General Administration.

Table 3

USDA Surplus Commodities Distribution

County	Number Families Served	Total Family Members
Adams	706	2,371
Chelan/Douglas	7,361	19,982
Ferry/Stevens/ Pend Oreille	5,811	16,989
Kittitas	1,102	2,725
Okanogan	4,546	13,008
Grant	4,929	14,550
Lincoln	641	1,627
Colville Tribe	536	1,487
Total	25,632	72,739

Thus, based on signed self-certification of low-income status, 72,739 persons of a total population of 248,200, or 29.3% of that population receive USDA surplus commodities to supplement their diets.

It is obvious that calculating levels of economic distress is less than an exact science. A variety of other data can be and are used by various entities. Such data include the percent of persons at or below the federal poverty level (also inexact), the number of persons receiving low-income weatherization services, the number of persons visiting low-income public health clinics, etc. It is clear, however, that the ten rural counties described in this document do suffer extreme levels of economic distress. Even Lincoln County, with single-digit unemployment rates and a Food Stamp usage rate of a mere 5% is economically distressed based on the 16.8% of the county's population which accesses USDA surplus commodities.

As asserted in this text, the economic distress experienced by rural Washington will not go away because of minor upturns in the national economy. The prosperity of the Sun Belt will not trickle down to Marcus, Washington. The rural northwest was populated on the premise that land had to be cleared and cultivated, timber had to be harvested and minerals had to be mined from the earth. Pioneers from all parts of the globe migrated to help build a society in which their efforts are no longer needed. While the distress may be tentatively measured in terms of statistics, it is not measurable in terms of the hopelessness of the family who has been dislocated.

The Guaranteed Job Opportunity Act

The Guaranteed Job Opportunity Act or S.777 is an imminently responsible piece of legislation which proposes, in concept, "to guarantee a work opportunity for all Americans." With an historical foundation in Franklin D. Roosevelt's Civilian Conservation Corps and favorable modern comparisons with Title II and Title VI of the Comprehensive Employment and Training Act, S.777 approaches the problem of widespread and massive unemployment directly...by creating jobs.

Additionally, S.777 proposes to create jobs in a way which will be of important benefit to the public on a variety of levels. First, the injection of large sums of money into local economies throughout the nation will have a significant and beneficial impact on those economies. Appropriately administered at the local level, each county in each state in the United States should see an increase in the labor force, an increase in retail sales and an increase in the local tax base. Similarly, a substantial percentage of salaries paid to participants in the Job Opportunity program would be returned to the federal government in the form of Social Security and Federal Income Tax.

S.777 also addresses the problem of a failing national infrastructure. The nation's highway systems, national parks, national forest systems, bridges, historical sites, waterways and refuse treatment systems have suffered in a progressive fashion during the years when fiscal emphasis has shifted from maintaining those systems to creating the largest military buildup in the history of this country. The gradual decline of infrastructure has reduced the ability at the local level to pursue job creating economic development projects and has reduced the quality of life for the general population. S.777 acknowledges that widespread unemployment and a failing infrastructure are the responsibility of the federal government.

Review of S.777 does, however, produce four major areas of concern. The first is an administrative concern with the potential for involvement with Private Industry Councils (PIC) as described in Section 5 of the proposed legislation. The second concern regards the apparent lack of a specified maximum participation length by program clients. A third concern is with the wage levels described in Section 9 (a), which may serve as a disincentive to participation by welfare recipients. The final concern is with Section 15 and its proposed appropriation levels. These concerns are addressed in detail below.

PIC Involvement

The signing of the Job Training Partnership Act in 1983 was a landmark in policy change regarding the evolution of a much-needed employment policy in the federal government. In simple terms, the new policy turns its back on federal responsibility for guaranteeing Americans the right to work. JTPA assumed that there was no need to subsidize employment, only to subsidize the training and retraining of the unemployed and dislocated. JTPA envisioned a private sector economy which would bloom under the "New Federalism," one which would make double-digit unemployment a footnote in the history of economic reform. JTPA also prescribed a cure for the mismatch between new job openings in technology and the skills of dislocated workers by placing a benevolent private sector in charge of redesigning the training system.

While statistically successful on some levels, JTPA has been a spectacular failure in terms of reducing unemployment and reducing poverty. This failure is not the responsibility of the talented employment and training professionals which administer and operate the system, nor of the private sector representation on the Private Industry Councils. The failure is that of a flawed system design which envisioned a national economy which has not come to pass.

The goals of JTPA and S.777 radically differ. While S.777 accepts the reality that unemployment will be significantly reduced only through openly subsidizing jobs for the unemployed, JTPA is designed to subsidize private enterprise in the hope that such subsidy might stimulate job creation. JTPA is a "trickle down" theory which gives money to those who don't need it so that in their prosperity they might pass the money on to those who do.

Placing administrative responsibility for S.777 in the hands of the PICs would facilitate a perversion of the pure intent of the Guaranteed Job Opportunity Act. The goal of JTPA, as practiced, is to place an unemployed person in a private sector job at the highest possible wage and for the lowest possible training cost. While noble, this goal has prompted the development of a new national industry which markets unemployed men and women to the highest private sector bidder.

Public Service Employment, under Title II and Title VI of the Comprehensive Employment and Training Act provided acceptable administrative models for operating programs similar in intent to S.777. Title II and Title VI of CETA were administered primarily by state employment security departments with certain programs contracted to private non-profit organizations established to assist low-income persons in entering the economic mainstream. S.777 should be similarly administered and private sector placement goals should not be emphasized.

Maximum Length of Participation

One of the lessons learned from CETA Public Service Employment was that an untrained individual, placed in a public works job for a year or more, would acquire major functional and transferrable work skills which would enable him or her to become successfully employed in a public or private sector job at a family wage level. While JTPA On-the-Job training contracts rarely exceed three months (due to cost) and are frequently written for one and two month periods, it must be accepted that the length of time needed to actually gain solid work skills is far in excess of the JTPA average.

The disincentive to extended training periods is the obvious limitation on the number of persons who may be served for a fixed sum of money. However, S.777 should embrace the need to train truly employable people, and the fact that the return on the federal investment must be calculated on a long-term basis.

A maximum training period of 18 months is recommended, which is compatible with the language in Section 8 (f), which establishes the maximum length of a public works project, also at 18 months.

Wage Levels

Section 9 (a) of S.777 establishes that participants shall be paid the minimum wage or at a rate 10% higher than the individual's level of support through unemployment compensation, welfare payments or Social Security income.

A number of concerns arise through review of this section, but two are primary. First, in order for S.777 to impact welfare recipients who would prefer to lead productive employed lives, the monitary compensation offered must be equal to the total compensation package offered by public assistance. AFDC recipients, as an example, receive a fixed-sum grant, access to Food Stamps, and a form of medical insurance via the medical coupon system. While the current minimum wage of $3.35 per hour at the 32 hours per week established in Section 8 (e) would equal the AFDC grant for a single parent with one child, the loss of medical benefits would prohibit most welfare recipients from participating. Moreover, the wage rate specified would fall far short of 125% of the poverty guidelines established by the federal Department of Health and Human Services (February 20, 1987) and serve as a further disincentive to participation.

The second concern, related to the first, regards the concept of a "family wage." Family wage employment is that which simply enables the worker to earn a sum of money which is equal to the cost of purchasing life's basic necessities. Those necessities include shelter, utilities, transportation, clothing and food, at a minimum. Moreover, guaranteed access to health care should be considered a basic necessity in an era of medical costs which cannot be afforded out-of-pocket by the upper middle class.

As alternatives to the wage rate established by Section 9 (a), two approaches should be considered. The first is the inclusion of a health care package in the benefits section of S.777. Not to exclude the health care recommendation, the minimum wage for S.777 should be such that the participant will not merely be moved from one form of subsidized poverty to another through participation.

In order to have an income at 125% of the poverty level for the contiguous 48 states, a single person employed for 32 hours per week during a twelve month period would have to receive a minimum wage of $4.14 per hour. A single parent with one child (two total family members) would have to receive a minimum wage of $5.56. A single wage earner with three total family members would have to receive a minimum wage of $6.99 per hour.

Obviously, certain constraints would have to apply. As an example, a single wage earner with a family of 13 members would have to earn a wage of $21.26 per hour in order to have a family income at 125% of the poverty level. That hourly wage is not realistic even as an average wage in unsubsidized employment.

The recommendation is that a sliding-scale wage should be provided up to a maximum of $8.42 per hour, which would place a family of four with a single wage earner at 125% of the poverty level. Such a sliding scale would start at $4.14 per hour and move upward based on family size to the maximum level specified. Adjustments should be made for two wage earner families, but not to include violating federal minimum wage laws.

Appropriation Levels

A final concern with S.777 is the appropriation levels established in Section 15. The concern is not that $5 billion for 1989 and $8 billion for 1990 is too high a price to pay to initiate a national full employment policy, or that such figures are unrealistic during an era of alleged fiscal constraint. The concern is that such figures would not adequately impact the unemployment problem in the United States.

Based on a minimum wage of $3.35 per hour and assuming that a minimum of 70% of the proposed S.777 allocation for 1990 would be used for participant wages for one year, the total number of persons benefiting from the program would be 805,222, or approximately 10% of the unemployed population in this country.

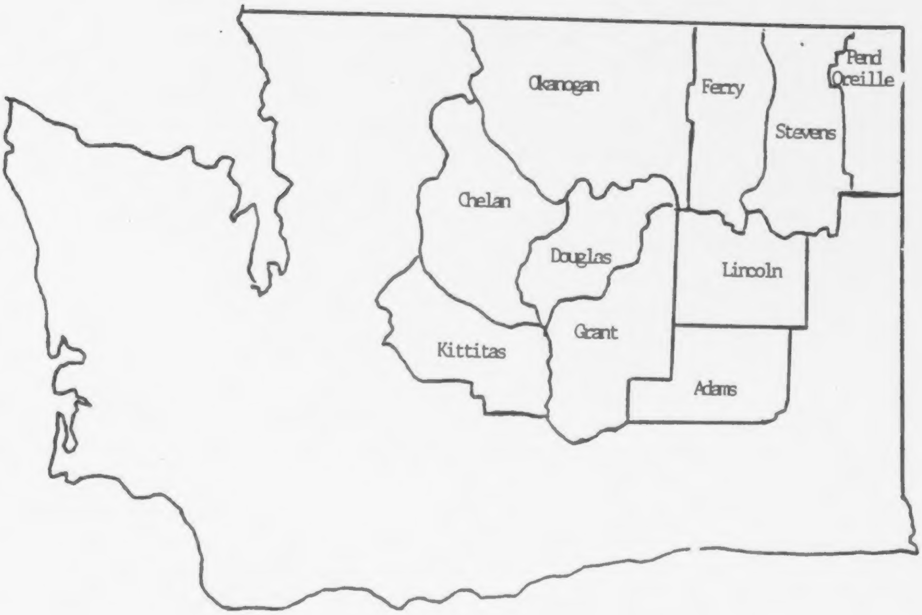
The right of all Americans to earn wages through productive labor should be the number one priority of the federal government. Thus appropriation levels for S.777 should be established at a rate which ensures that the number of jobs available through all private and public sector sources matches within 2% to 3% the labor pool which exists during each given year.

Summary

Promoting the public welfare is a concept which has been explored by mankind for several centuries. During the twentieth century, the United States has defined welfare as a means of ensuring that individuals have access to basic survival mechanisms during periods of temporary separation from the economic mainstream of society. It must be acknowledged at all levels of government that in the post industrial revolution era, separation from the economic mainstream is not a temporary phenomenon, but an ongoing permanent reality for millions of Americans. As Senator Simon has eloquently stated in materials promoting the Guaranteed Job Opportunity Act, the federal government has accepted responsibility for ensuring the general welfare of the American people. The choice of ensuring the general welfare at a cost of hundreds of billions of tax dollars with little return on the investment also exacts an immeasurable cost in terms of the humanity, the dignity and the productivity of millions of Americans. The time has come to make a better choice.

On behalf of Grant County Community Action Council and the Washington Association for Community Economic Development, I would like to thank you again for the opportunity to testify before the Subcommittee on Employment and Productivity.

Exhibit A
Rural Northeast Washington State



Senator SIMON. Let me just make a couple of comments. One is that two of you mentioned the $17,000 cap, and Larry Kenney's formal statement mentioned that also. We have had other testimony on this point. I think it is fairly clear that has to be changed. And if that were changed, that would help a great deal.

Mr. Burnett, your testimony was moving. I really appreciate it. And there is just no question we can do infinitely better. I was intrigued by your idea on the mortgage because that is a very real thing for people who are unemployed, all of a sudden to see the threat of losing that home that you have put so much into. It is a fiscal, financial thing, it is psychological, it is everything.

What if the Federal Government—I am just thinking out loud now—what if the Federal Government said in those kinds of situations where you are unemployed, the Federal Government would ultimately pay for this; you shift it out to the end of the mortgage payment sector. Let us say you are out of work six months and it is $600 a month. That is $3600. The Federal Government would guarantee to pay that at the end if, for any reason, you were not able to pay it. But in the meantime, the bank would be guaranteed, you would have your home. If for any reason you sold your home, then you would have to pay the Federal Government that $3600. This is kind of a modification of what you were talking about. Does something like that make sense?

Mr. BURNETT. That was basically the intent of my plan. And I will tell you where I got it from, to be quite truthful with you. I mentioned that in 1984 I went to work at 6:00 o'clock in the morning, and they told me that I no longer had a job due to an indefinite shutdown and that they would reevaluate in January of that year. And, as it turned out, we were off for seven months.

Fortunately for some of us, we had our homes financed through a credit union that was of the employees where I worked there at Weyerhaeuser. What we were able to do in that instance was just exactly what I am talking about. We went to the credit union. They said, "Well, we can do a couple of things for you. We can cut your payments in half and you only pay the interest or half of your payment, whichever is the greater. And then when you go back to work, you continue on and you finish paying that as you pay off the mortgage. Or we can extend your mortgage by taking your next six months payments, putting them on the tail end of your mortgage, renegotiating the value of that mortgage, and you finally ultimately pay the additional interest costs for not making those payments during that six months period. But you are not obligated to them at that point."

That is what saved the homes for those people. Even though we did go back to work, had we not been able to do that—and that was just a very few of us who were fortunate, for whatever reason, had done that. There were several who had financed through a savings and loan or a bank or something that simply either lost their home or expended all of their savings or whatever, or sold all of their assets just simply to make that payment so they could hold on for that period of time. And what you are suggesting is exactly what I am suggesting.

I am not suggesting that any dislocated worker be given anything in terms of a grant or money to assist with his mortgage. I am only suggesting that he is able to defer that payment until such time he is able to make that payment or he can renegotiate a payment that he can handle. Generally speaking, like in the case of myself, I had a lot of equity in my home. That equity was cut in half by the drop of the property value instantly when I lost my job. But I still had a substantial amount that made it possible for me to renegotiate the last six and a half years of my mortgage. And that occurred in several cases if there was a program available where that could be done. And that is basically what I am talking about.

Senator SIMON. I appreciate that.

Mr. Wysocki, if I can just make one comment. Among the most dramatic unemployment rates are those people with disabilities who are employable. And when you compound other problems with that—for example, the unemployment rate for blacks with disabilities today is an astounding 82 percent. People who are employable, who have the talents and skills, it just becomes almost impossible.

Mr. Poling, I appreciate your excellent testimony, too. Senator Adams.

Senator ADAMS. Thank you, Mr. Chairman. I appreciate the panel members' comments. Mr. Burnett, Mr. Poling, and Mr. Wysocki, what you basically stated is the change in structure that is going on in the economy, that it just is not there anymore. We recently passed the plant closure provisions in the Trade Bill. Senator Simon was very helpful in that. And it just seems to me a matter of common decency, of people who are involved, and this needs to be carried out in communities where you not only impact the community but everyone else. It is basically now only a notice factor. And I think that more needs to be done.

I would be interested, and I thought, Mr. Burnett, your testimony was particularly appropriate in addressing what is going on throughout the whole country in middle class towns. And, Mr. Poling, you touched on it in our smaller rural communities in eastern Washington. I would like to know whether or not you believe there is a way we should move to develop a program that will carry people out of one economically distressed area into another area, or do you feel that we need to localize assistance? I am very familiar with Chehalis and Moses Lake and these communities. And if you go a little farther over to Pomeroy and to Davenport, you find the economic base has completely deteriorated. As you and I know, Mr. Burnett, you can go down to Aberdeen and get on Riverside Drive and there is just house after house with for-sale signs. I would just like your comment on it because I know Senator Simon will be traveling around the country in the next several months and will see similar problems in other states. So, anything that you want to say, I would like to know whether we should localize assistance to save the community or should we try to help people to move from the communities.

Mr. BURNETT. My opinion on that is that for the most part we should be localizing the help to the communities. And I think that there are some programs that could help to assist that, the plant closure legislation for one because it would give the community some time to react to get their act in order and get some retraining and do some studies about how you could relocate the people—I mean, how you could maintain the people in their employment in the community. What you do when you relocate people out of a place like Chehalis is, if you relocate a hundred people, for example, and they have been working for Weyerhaeuser, on the average you are going to take about $3-½ million in payroll out of the economy. You are going to cost 72 other jobs in that community. And what you are going to really do is you are going to put some small business people out of business. And you are going to take away a lot of other resources, resources that we do not talk about particularly.

For example, where I was working, one of the guys I was working with was the chief of the volunteer fire department. You relocate him out of the community, you have got to go through the whole process of reestablishing the fire department because those things are done by people who care. And if there is not somebody there who cares, that thing is gone. And you can go through any kind of list whatever you want to as far as community activities are concerned, and all those things are devastated by what we are talking about here, and you are really doing a great disservice to the community.

Then when you move that person to the metropolitan Seattle area where unemployment is low and you give him a $6-an-hour job and then you tell him to go out and find a home to live in and you tell him to try to find higher education for his children and you try all the rest of those things, you are actually sentencing him to poverty, even though he may be employed, because he will never be able to recover and accomplish those things in that community because he simply does not have the income.

Senator ADAMS. That is what I wanted you to articulate for everybody. I am tired of hearing this, that everybody moves with their feet in this economy. People do not move with their feet in this economy that have lived in communities. Their feet, their roots, their whole lives are firmly fixed within them. And you may generationally be able to have people move that are children or are in the educational system. But you have got to have time to change it, and we are destroying people and we are destroying our middle class by this happening. And you answered the question very, very well.

Mr. Poling, if you have anything you want to add to it, or Mr. Wysocki, I would be pleased to here it. But I think we have got to deal with basic realities of where our people live and hurt. And it is not statistics and it is not some economic theory. It is life blood. And I think that this panel has stated it very, very well, Mr. Chairman.

Mr. POLING. If I could make a quick comment on that, in the written version of my testimony, you will notice that there is some population data that deals with net migration losses. One of the problems that I have experienced working in the smaller communities in northeast Washington is the children tend at this point to grow up, graduate from high school. Some of them go away to college. Some of them do not go away to college. But most of them go away. Some of them come back after a while. A lot of them do not come back. And that accounts for the diminishing size, character, and prosperity in a lot of ways of the communities. You have got communities who are aging very rapidly, much more rapidly than the Nation as a whole, because there is nothing there for the kids. Attempting to put together some sort of program which would relocate people who are unemployed due to structural economic problems would do nothing more than accomplish the same thing as having nothing available for the young people to do in the communities when they graduate. It would further deteriorate the local economy, as Mr. Burnett has indicated. It would further handicap the people that are in those small communities, plus moving new people into Seattle where we have a lower unemployment rate. All you are doing is moving a group of people into a community who are competing for jobs that are already in short supply.

So, I agree with Mr. Burnett, localize the program. Try and save the communities that we built, please.

Senator ADAMS. That is what I am concerned about. I think we are creating in this country right now through economic Darwinism the super rich and the homeless. That is what you referred to.

Mr. POLING. Exactly.

Senator ADAMS. Thank you, Mr. Chairman.

Senator SIMON. I thank you. If I can just add, what we are doing in the process also is compounding the problems of the urban areas, the Chehalises of this world and this Nation. If they are not permitted to prosper, then people have to move to Seattle or Chicago or someplace, and you compound all the problems of the cities. And what is happening in this country is that we are increasingly stockpiling the poor in our urban areas and then too often just neglecting them.

We thank all three of you.

Mr. WYSOCKI. Could I just add one thing?

Senator SIMON. Mr. Wysocki.

Mr. WYSOCKI. Relative to the issue of regional or national issues, persons of disability face an issue in this area where if you are too severely disabled to work and you apply for Social Security disability or SSI, say, while you are in training or seeking for some new employment, you are judged as to whether or not you can perform a job in the national economy. It is not based on whether or not you have a job locally. It is, Can this person perform some work someplace in the national economy?—which would imply then that you should be getting on your feet and going someplace to find that job. But nobody tells you what that job is or helps you find it or get there. So, I would like us to take this whole issue into account, that people live in a community, and that is where those kind of decisions should be made and support must be provided, is in their community.

Senator SIMON. We thank all three of you very much for your testimony.

The next panel, Mr. David Thorud, Dean of Forestry of the College of Forest Resources; Frederick Bowen, Vice President of Boeing; John Daly, Washington State Department of Agriculture; and Pat Davis, Seattle Port Commissioner.

Let me acknowledge also the presence of State Representative Wineberry whose testimony I earlier entered into the record. If he will stand so I can at least know who he is here. (Representative Wineberry stands to applause.)

And let me also mention in advance, I am going to have to leave at 11:30 to catch a plane. I will not be able to be here for all of this panel and for the final panel. I will have my staff report to me. I deeply appreciate all of you being here.

And again I thank my colleague, Senator Adams, for his leadership not only on this issue, but on so many other things.

Dean Thorud.

STATEMENTS OF DAVID THORUD, DEAN OF FORESTRY, COLLEGE OF FOREST RESOURCES, ACCOMPANIED BY PROFESSOR THOMAS WAGNER, FOREST ECONOMIST, AND PROFESSOR ROBERT LEE, FOREST SOCIOLOGIST; FREDERICK O. BOWEN, VICE PRESIDENT, BOEING COMMERCIAL AIRCRAFT CO.; JOHN DALY, WASHINGTON STATE DEPARTMENT OF AGRICULTURE; AND PAT DAVIS, SEATTLE PORT COMMISSIONER

Dean THORUD. Thank you very much, Mr. Chairman and Senator Adams. With me today I brought Professor Thomas Wagner, who is a forest economist and also director of our center for international trade in forest products. The center prepared my testimony, which has been submitted for the record. I have also brought along Professor Robert Lee, who is a professor of forest sociology at the College of Forest Resources—both of these individuals as resource persons. I thought what I would do this morning is highlight a little bit about forestry and the forest products industry here in the State. And of course we have had some discussion on this earlier this morning. But I think, as you suspect, Washington State is richly endowed with forest resources. About 41 percent of our total State area is classified as commercial forest. This translates into about 18 million acres of commercial forest. And this forest is among the most productive in the world. It is high quality wood, and the trees grow very fast. We presently have a standing inventory in our State of about 250 billion board feet of timber. We harvested somewhere on the order of five to six billion board feet per year over the last decade or so.

The forest products industry includes 440 primary processing facilities in the State. These are plants, pulp and paper, and lumber. A very important statistic, I think, is that the forest products industry contributes approximately $7 billion a year to our State's economy; in manufacturing employment that is second only to aerospace. So, the forest products industry is still a very significant economic component of the State of Washington economy.

And, importantly, even with all the recent difficulties that the forest products industry has suffered, particularly in the early 1980s, there are approximately 54.8 thousand people presently employed by this industry, and that includes both solid wood and fiber products—54.8.

It is well known that the U.S. timber industry, including Washington State, underwent a severe recession, and perhaps we should call it a depression, during the early 1980's. But I am pleased to say that much progress has been made in the forest products industry. Markets are presently good, and prices are improving. And an interesting statistic that many people are unaware of is that production levels right now, lumber and wood related products, are more or less at record levels, as high as they ever were, in our State. This is due to both the domestic and international demand for wood products.

So, the industry is clearly showing renewed vitality, and statistics demonstrate this. According to a recent issue of Business Week, for the first quarter of 1987, for the forest products industry, sales were up 23 percent, and profits were up 93 percent.

In the process of returning to profitability, the industry has undergone considerable restructuring, and this has caused some of the problems that you are grappling with. But to become and to remain competitive in the international markets, the restructuring was an economic necessity or the business would not be here. But, as a result of this restructuring, many of the plants, the ones that are still working, have modernized; they have state-of-the-art equipment, computing equipment, and are better managed. So, the productivity, as has been mentioned earlier, per unit of employed time has gone up significantly.

The down side of this is that this industry is now producing record levels of timber and timber products with 25 percent fewer employees. And this of course leads to the very serious problems in many communities that were articulated so very well by Mr. Burnett, the structural unemployment that has resulted in these timber-dependent communities.

So, we have the seeming paradox of an industry that is returning to vitality and health, but a lot of people that are not reemployed. I do not think realistically that we can expect to go back to employment levels of the 1970's when in our State, for example, about 71,000 people were employed in the forest products industry. And as I indicated, now it is down to 54.8, and they are producing as much timber as was ever produced before. And the reason I say we probably will not go back that far is because the realities of international competition force the industry to remain highly efficient and highly productive. The global competition is very real in the timber economy. It is a globalized economy.

However, in general, we think that the restructuring that has occurred in the industry will give it a very strong competitive position in the future, and we expect a bright future, all other things remaining equal. So, I will conclude with those comments.

Senator SIMON. Thank you, Dean Thorud, and your formal statement will be entered in the record.

[The prepared statement of Dean Thorud follows:]

The Status and Future Potential for the Washington Timber Industry

David B. Thorud, Dean
College of Forest Resources
University of Washington

U.S. Senate Committee on Labor
and Human Resources
July 27, 1987

The Status and Future Potential for the Washington Timber Industry

David B. Thorud

Summary Outline

I. Forest Products Industry in State of Washington

- 41% of land is Commercial Forest
- Standing inventory of over 250 billion board feet
- Conifer species dominate, particularly on public land
- 1985 Washington timber harvest 5.7 billion board feet
- Forest industry includes 440 primary facilities
- Forest industry dominant in non-metropolitan areas
- Forest industry a $7 Billion industry
- Forest industry employs 54.8 thousand workers

II. Forest Products industry has experienced difficulties but is experiencing economic recovery

- National consumption at record levels
- Domestic market share for PNW has declined
- Market shift from domestic to international markets
- Volume of production above pre-recession "base year"
- Economic performance showing substantial improvement
- Forest product prices showing recovery
- Current prices below 1979 highs

III. Employment in the Forest Products Industry

- Employment has reflected 1980-86 economic downturn
- Wages above national average

IV. Implications for Washington Forest Products Industry

- Forest products industry showing renewed vitality
- Recovery shows increased production and reduced employment
- Substantial gains in productivity evident
- Industry has experienced considerable restructuring
- Additional structural adjustments can be expected
- Markets will increasingly determine industry structure
- Future of Washington's forest industry is bright

V. Forest Products and the Guaranteed Job Opportunity Act

- Intent of the Act is constructive
- Act addresses important issue for forest products industry: cyclical and structural unemployment
- Act does not address differences in unemployment or probable causes
- Cyclical unemployment does not mean lost opportunity
- Structural unemployment requires shifts in employment
- Determination of "projects" critical to viable employment opportunities
- Causes of unemployment need to be determined in order to facilitate desirable structural adjustments

The Status and Future Potential for the Washington Timber Industry

David B. Thorud, Dean
College of Forest Resources
University of Washington

I. Forest Products Industry in State of Washington

- 41% of Washington land area is commercial forest
- Commercial Forest total 17.6 million acres

National Forest	29.55%
State	10.23%
Other Public	10.80%
Forest Industry	24.43%
Other Private	25.00%

- Washington's forest has standing inventory of over 250 Billion Board Feet

Conifer inventory	232.1 Billion Board Feet
Hardwood inventory	22.7 Billion Board Feet

- Conifer species most important to forest industry. Inventory concentrated in public ownership:

National Forest	40.66%
State	10.82%
Other Public	10.23%
Forest Industry	23.19%
Other Private	15.10%

- Washington Timber Harvest in 1985 was over 5.7 Bill BF

Private	3.55 Billion BF
State	1.02 " "
Federal	1.14 " "

- Forest Products Industry is made up of over 440 primary facilities:

Sawmills	150
Shake/Shingle	131
Log Exporting	102
Plywood/Veneer	28
Pulp/Board	20
Post/Pole/Piling	11

- Forest Industry dominant in non-metropolitan regions of the state

¶ Population Distribution shows concentration in Puget Sound and Inland Empire (Chart 1.)

¶ Commercial Forest lands concentrated in Western Washington, Northeast Washington, and a small portion of Southeast Washington (Chart 2.)

¶ Douglas fir and Western Hemlock (dominant commercial species) dominate and are located in western Washington (Chart 2.)

¶ Forest products manufacturing significant in central Puget Sound region, but balanced with diversified manufacturing (Chart 3.)

¶ In contrast, forest products manufacturing in rest of Washington State much more dominant and thus more significant to local economies (Chart 4.)

* Forest Products Industry is a $7 Billion sector, second-leading contributor to Washington gross business income:

Sector	1986	1985	1984
	($ Million)		
Aerospace	14,010	11,434	8,788
Forest Prod	7,009	6,594	6,969
Agriculture	5,508	5,554	5,397
Fishing	16	15	25

* As of April 1987, the Forest Products sector employed 54.8 thousand workers in Washington State:

Lumber and Wood Products	37.5 thousand
Paper and Allied Prod	17.3 "

Second leading manufacturing employment (after Aerospace, Table 1.)

II. Forest Products Industry has had serious problems but is experiencing economic recovery

* National lumber and wood panel consumption has increased since recession of 1979-82 and is at near-record levels (chart 5.)

Lumber	44 Billion Board Feet (1985)
Structural Panels	23 Billion Square Feet

* Domestic Market shares for Pacific Northwest softwood lumber industry, however, has continued to decline.

Region	1965	1975	1985
	(% Share)		
Pacific NW	34	30	23
South	20	22	24
Canada	15	18	32

(Chart 6.)

- Similar trend is evident for structural panels - Pacific Northwest share has declined from 76% (1965) to approximately 38% (1985). (Chart 7.)

- Trends have resulted in shift for State of Washington and Pacific Northwest Region towards international markets. This is most evident in trend for the export of softwood logs (Chart 8.)

- Volume of regional production well above "base year (1979) as used by Forest Industry (Western Wood Products Association) (Table 2.)

  Entire Western Region of U.S. up 19.5% (YTD) through June 1987 from 1979

  Coastal Region (coastal Wash, Ore, N. Calif) up 23.1% (YTD) through June 1987 from 1979

- Economic performance of Forest Industry showing substantial improvement. As reported by Business Week (May 18, 1987):

  Forest Products & Paper Industry - 1st Quarter 1987

Sales	up 23%	from	1986
Profits	up 93%	"	"
Return on Invested Capital	up 8.1%	"	"
Return on Common Equity	up 11.2%	"	"

- Prices have also recovered. Random Lengths Composite Price index highest in 4 years as reported July 9, 1987 Export Report:

Lumber Composite Price	245	(July 3)
Plywood Composite Price	207	(July 3)

- In spite of price recovery since lows of 1981-82, current prices below highs of 1979 for both lumber and plywood (Tables 3,4,5):

III. Employment in the Forest Products Industry

- Employment in Washington Forest Products industry has reflected downturn in economy 1980-86 (Table 6.):

¶ Total forest products employment for Washington peaked in 1977 at 71.6 thousand. Employment in 1986 averaged 53.1 thousand and was 54.8 thousand for April 1987.

¶ Employment in Lumber and Wood Products (including logging) has been quite sensitive to market conditions, showing considerable fluctuation, both seasonally and annually. Employment in this sector of industry peaked at 55.1 thousand in 1978, and dropped to 35.9 thousand for the first quarter of 1986. Employment was 37.5 thousand for April 1987.

¶ Employment in Paper and Allied products in Washington has exhibited greater stability. Employment reached 17.7 thousand in 1977 and 17.6 thousand in 1980. Employment dropped to 14.0 thousand in 1978 and to 16.0 thousand in 1985. Employment reached 17.3 thousand as of April 1987.

* Wage rates in Washington forest products industry have historically exceeded national averages (Chart 9.). Although wages have leveled (and declined slightly on an hourly basis), the Pacific Northwest is still considered a "high cost" production region.

¶ estimated average hourly earnings for Washington production and non-supervisory workers, Lumber and Wood Products:

Sept85-April 86	$11.48
Aug 86-April 87	$10.78

IV. Implications for Washington Forest Products Industry

* Industry is recovering with increased economic vitality.

* Increase in production and reduced employment has resulted

* Trend in reduced employment, coupled with record levels of production have resulted in substantial gains in productivity (output/worker). (Chart 10.)

* Washington's forest products industry has experienced a substantial restructuring, both in terms on number and location of facilities as well as in employment. The industry has sustained and increased output in spite of reduced workforce. Depressed prices, and

excess capacity continue to plaque the industry. In spite of these difficulties and adjustments, however, the industry is on a distinct path to good economic health. The future industry will be smaller and will employ fewer workers than in peak periods of prosperity of the late 1970's.

* The forest products industry of Washington will experience additional adjustments as markets and technology dictate increased efficiency and competitiveness. This will result in some additional closures and consolidation of capacity. Improved labor productivity will likely result also in reduced labor per unit output, with resultant adjustments in employment for existing facilities.

* Markets will increasingly determine the structure of the Washington forest products industry. International markets are expected to play a greater role, with Pacific Rim markets of most significance.

* The future for the Washington forest products industry should be bright, given stability in the raw material base, production costs, and markets. The forest products industry should continue to be a leader in the contribution to the economy of the State.

V. Forest Products and the Guaranteed Job Opportunity Act

* The intent of S.777, The Guaranteed Job Opportunity Act is constructive in that the emphasis is on maintaining gainful employment while new permanent employment is sought. The emphasis on private sector opportunities is also significant, avoiding the potential for questionable public sector dead-end positions.

* S.777 addresses an important issue that faces the forest products industry of Washington: unemployment associated with both cyclical and long term structural change. If gainful employment opportunities can indeed be located, the substitution of temporary employment in lieu of welfare payments should be a cost effective way to alleviate the economic disruption of unemployment. The incremental costs of wage payments should be largely offset by the productivity gained through the added employment effort.

* S.777 does not, however, make a distinction between cyclical unemployment, where jobs will likely be regained as the business cycle enters an upswing, and the more persistent long-term structural changes

where jobs are "lost" permanently. The proposed legislation potentially deals with the unemployment symptoms of change, but does not clearly address the causative forces behind that unemployment.

* Cyclical unemployment may frequently represent a "temporary" problem for the forest products industry where it is necessary to "ride out the cycle". Retraining or shifts to other industrial sectors is not as critical as the maintenance of economic resources for the individuals and families involved. Swings in market demand, in response to factors such as interest rates, construction levels, and international exchange rates contribute to such economic cycles.

* Structural changes create a more difficult situation whereby viable long term opportunities are reduced in a particular industry. Changes in technology, regional competitiveness, production costs, market structure, and raw material base all influence long term employment.

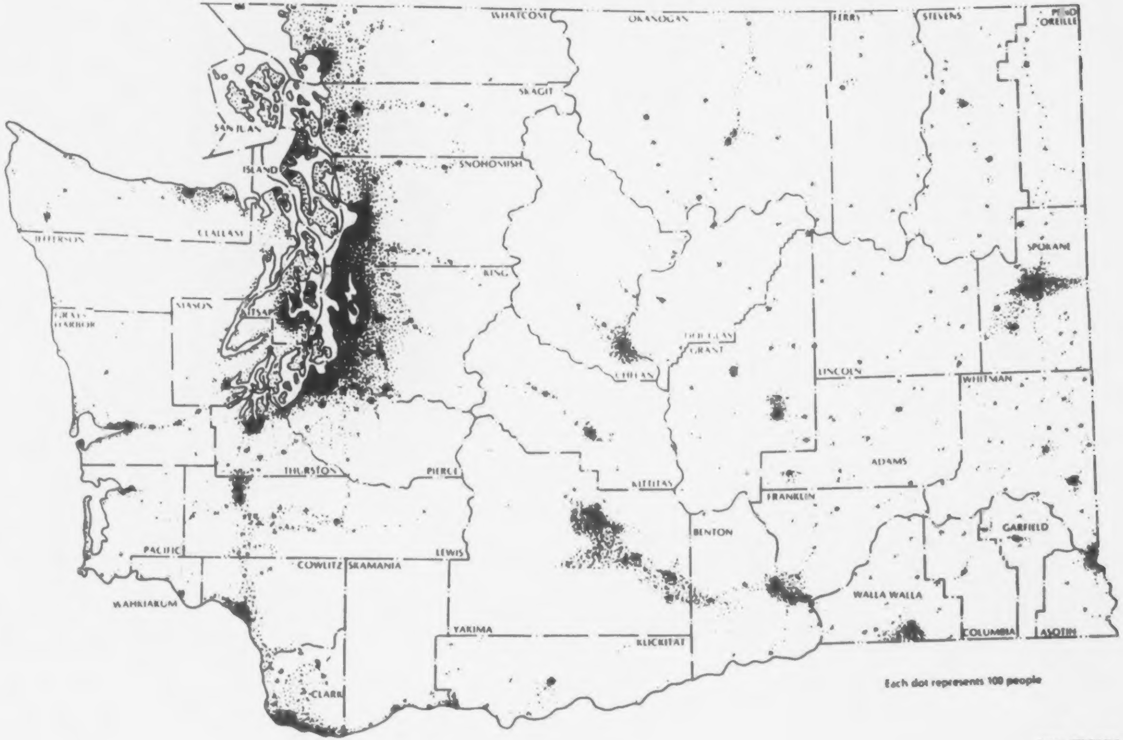
* Determination of "projects" would be key to the success of the proposed program. The objective of maintaining the income flow to unemployed workers through work-related obligations rather than strict welfare transfer payments. However, substantial effort would be needed to distinguish between cyclical and structural unemployment. This would be necessary to develop a strategy for retraining vs sustaining forest products employment opportunities.

* Realistic assessment of the causes of unemployment in forest products could contribute to a focus on helping workers and communities adapt to structural change rather than live with a potentially false hope that "things will get better." Some mills will become obsolete, represent submarginal scale of operations, or become disadvantaged due to location relative to markets and/or raw material sources. A constructive and positive approach to adapting to such change is much more likely to succeed than one that would attempt to freeze workers into existing employment patterns.

* Alternative federal policy instruments which could contribute to greater employment stability in the forest products sector might include: examination of federal timber sales programs and timber sale procedures to reduce economic uncertainty about timber supply and costs; efforts to stimulate and stabilize domestic demand for wood products; greater efforts to expand international markets.

CHART 1.

POPULATION DISTRIBUTION 1980



Each dot represents 100 people

Source: 1980 CENSUS

CHART 2.

COMMERCIAL FOREST TYPES

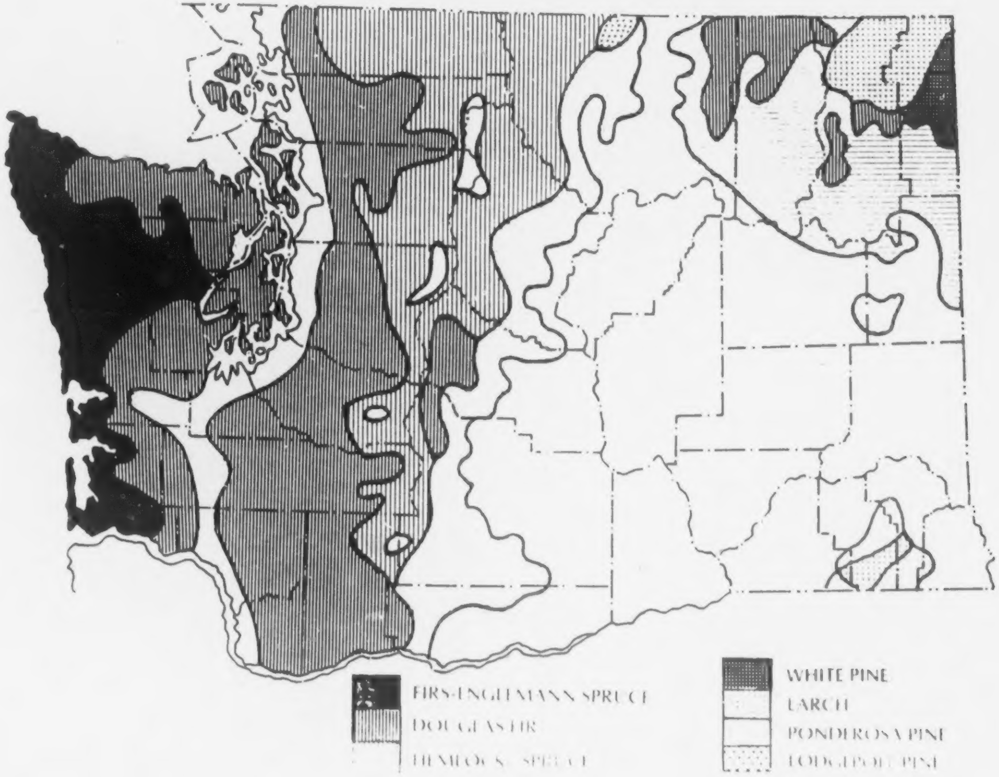
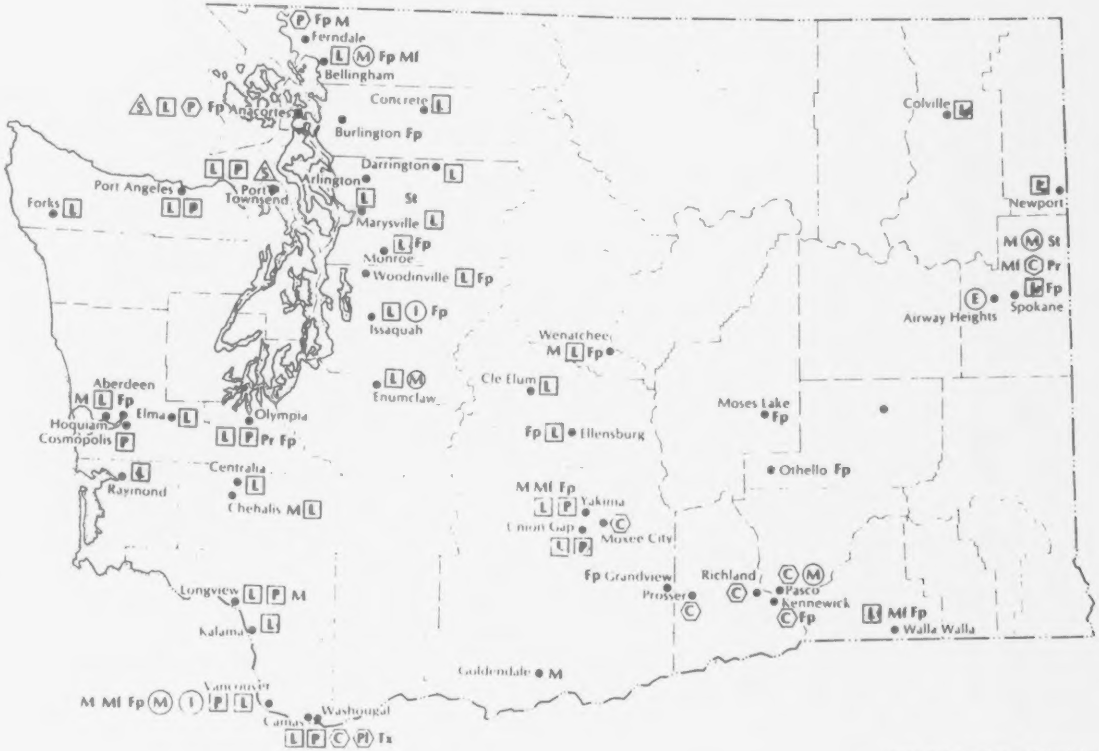


CHART 4.

MANUFACTURING



Source: Washington Directory of Manufacturers

CHART 3.

MANUFACTURING

KEY

□	Wood Products Manufacturing
F	Furniture
L	Lumber
P	Paper
⬡	Chemical Manufacturing
C	Chemicals
P	Petroleum
Pl	Plastics
○	Equipment Manufacturing
C	Computers & Software
E	Electronics
I	Instruments & Measuring Equipment
M	Machinery
△	Transportation Manufacturing
A	Aircraft & Components
M	Missiles & Space Technology
S	Shipbuilding
T	Trucks & Components
	Other Manufacturing
Fp	Food Processing
Mf	Metal Fabrication
M	Primary Metals
Pr	Printing
St	Stone, Glass, Ceramics
Tx	Textiles

PUGET SOUND AREA

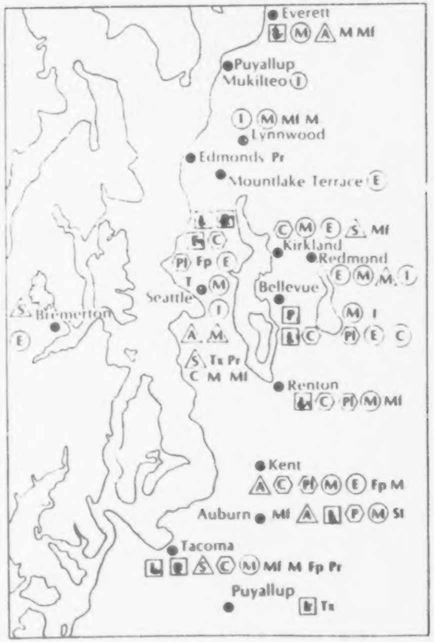


TABLE 1.

NONAGRICULTURAL WAGE & SALARY WORKERS IN WASHINGTON STATE, PLACE OF WORK 2/

(In Thousands)

NOT SEASONALLY ADJUSTED Industry	Apr. 1987 (Prel.)	Mar. 1987 (Rev.)	Apr. 1986 (Rev.)	Mar. 1986 (Rev.)	Numerical Change Mar. 87 to Apr. 87	 Apr. 86 to Apr. 87
TOTAL NONAG. WAGE AND SALARY....	1810.0	1790.4	1757.1	1736.7	19.6	52.9
MANUFACTURING.................	305.7	302.5	303.5	300.3	3.2	2.2
Durable Goods.................	214.3	212.9	213.2	211.3	1.4	1.1
Lumber & Wood Products.....	37.5	36.9	37.5	36.8	0.6	0.0
Furniture & Fixtures.......	4.0	3.9	3.8	3.8	0.1	0.2
Stone, Clay & Glass........	6.2	6.0	6.2	6.0	0.2	0.0
Primary Metals.............	11.1	11.0	12.3	12.1	0.1	-1.2
Aluminum.................	7.2	7.1	8.1	8.1	0.1	-0.9
Fabricated Metals..........	9.8	9.8	9.8	9.7	0.0	0.0
Machinery..................	28.4	28.3	32.1	32.4	0.1	-3.7
Machinery (Exc. Elec.)...	16.3	16.2 4/	19.5	19.9	0.1	-3.2
Electrical Equip.........	12.1	12.1	12.6	12.5	0.0	-0.5
Transportation Equip.......	102.7	102.5	96.4	95.3	0.2	6.3
Aerospace................	89.7	89.3	83.3	82.5	0.4	6.4
Other Transp. Equip......	13.0 4/	13.2 4/	13.1	12.8	-0.2	-0.1
Instruments & Related......	9.8	9.8	10.5	10.6	0.0	-0.7
Misc. Manufacturing........	4.8	4.7	4.6	4.6	0.1	0.2
Nondurable Goods.............	91.4	89.6	90.3	89.0	1.8	1.1
Food & Kindred Products....	29.3	27.7	30.0	28.8	1.6	-0.7
Canned & Preserved Foods.	10.5	8.8	11.0	9.8	1.7	-0.5
Apparel & Allied Products..	5.9	6.0	5.6	5.9	-0.1	0.3
Paper & Allied Products....	17.3	17.1	16.6	16.4	0.2	0.7
Printing & Publishing......	18.9	19.0	18.5	18.4	-0.1	0.4
Chemicals & Allied Products	11.8	11.7	11.5	11.5	0.1	0.3
Other Nondurable Goods 3/..	8.2	8.1	8.1	8.0	0.1	0.1
MINING & QUARRYING	2.9	2.9	3.0	2.8	0.0	-0.1
CONSTRUCTION..................	86.2	83.2	81.8	78.9	3.0	4.4
TRANSP.,COMM. & UTIL...........	96.1 4/	95.4 4/	94.6	94.1	0.7	1.5
WHOLESALE & RETAIL TRADE.......	443.5	436.2	427.0	421.3	7.3	16.5
Wholesale Trade............	109.1	108.0	105.9	104.9	1.1	3.2
Retail Trade...............	334.4	328.2 4/	321.1	316.4	6.2	13.3
FIN. INS. & REAL ESTATE........	107.4	106.9	104.2	103.3	0.5	3.2
SERVICES......................	408.7	405.1	391.1	384.4	3.6	17.6
Health Services............	125.9	125.3	120.9	120.0	0.6	5.0
GOVERNMENT....................	359.5	358.2	351.9	351.6	1.3	7.6
Federal....................	71.8	71.3	69.0	68.5	0.5	2.8
State & Local..............	287.6	286.9	282.9	283.1	0.7	4.7
Education................	154.7	155.2	153.5	154.4	-0.5	1.2
(WORKERS IN LABOR-MANAGEMENT DISPUTES......................	1.1	1.5	0.0	0.0	0.0	0.0

CHART 5.

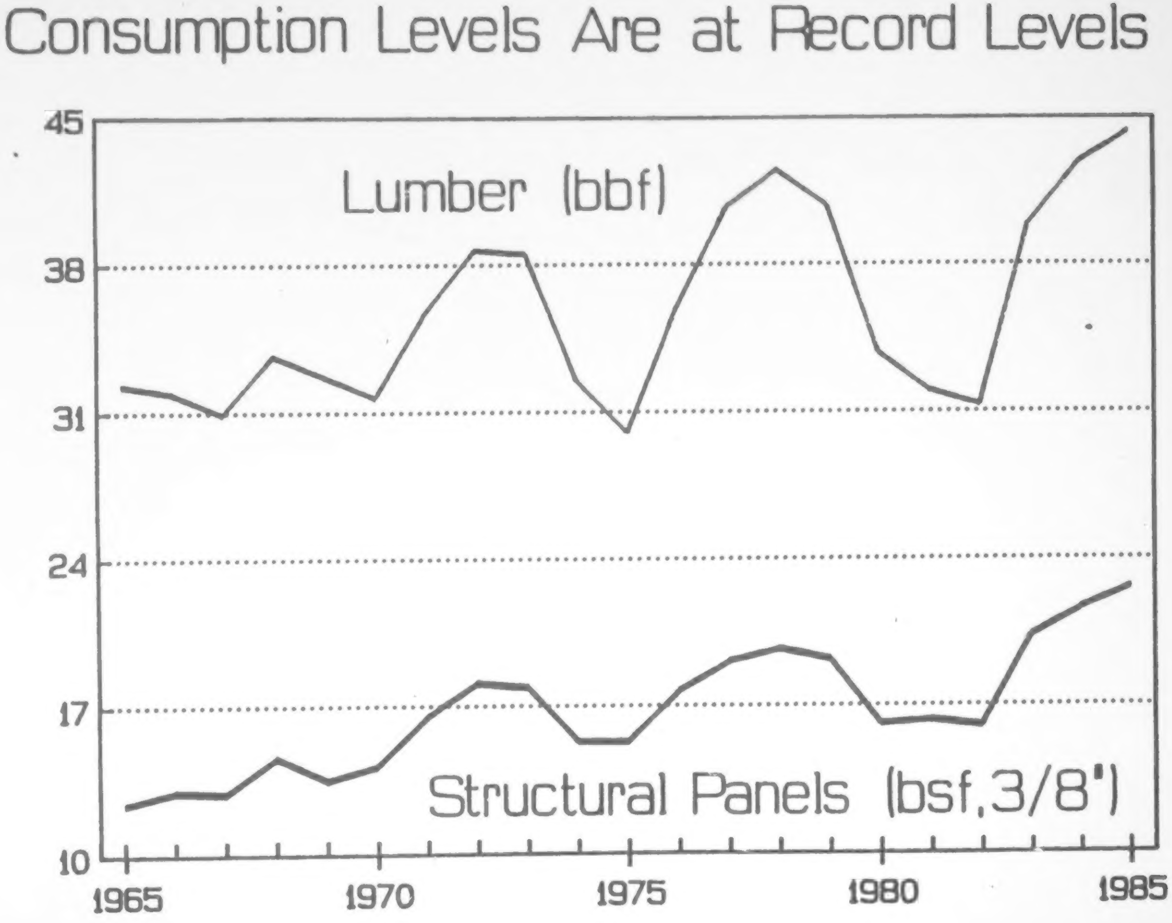

Consumption Levels Are at Record Levels
Lumber (bbf)
Structural Panels (bsf,3/8")
45
38
31
24
17
10
1965
1970
1975
1980
1985

CHART 6.

Shares of U.S. Lumber Supply

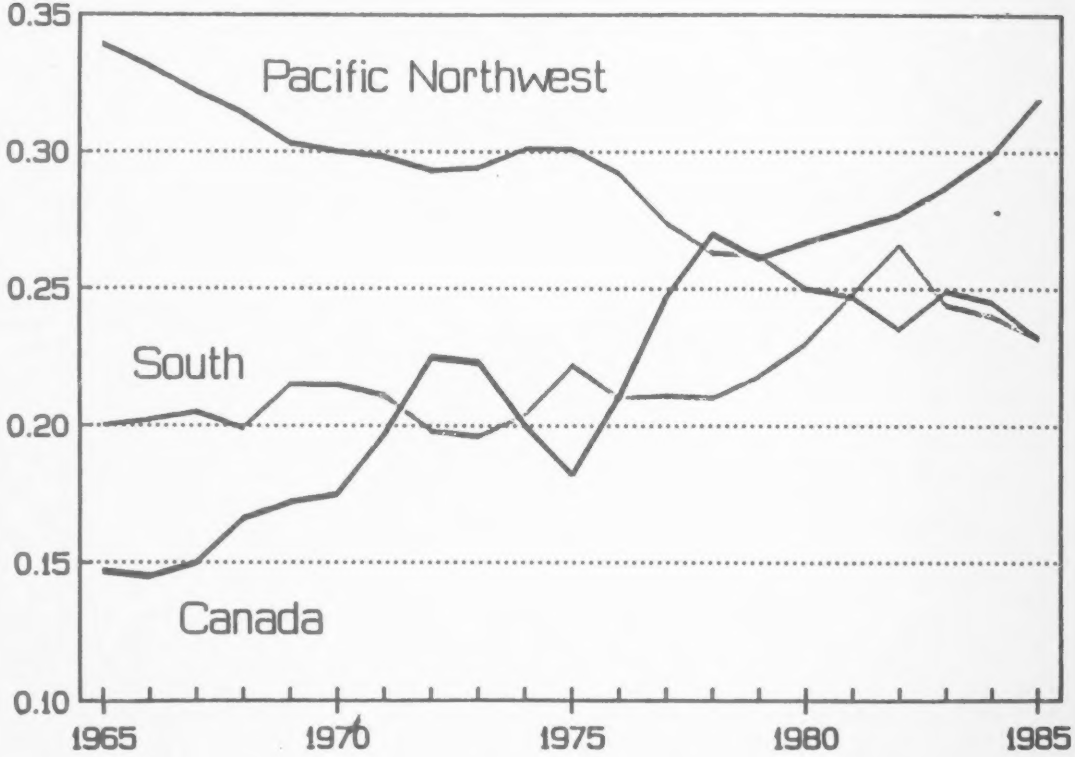


CHART 7.

Shares of U.S. Structural Panel Supply

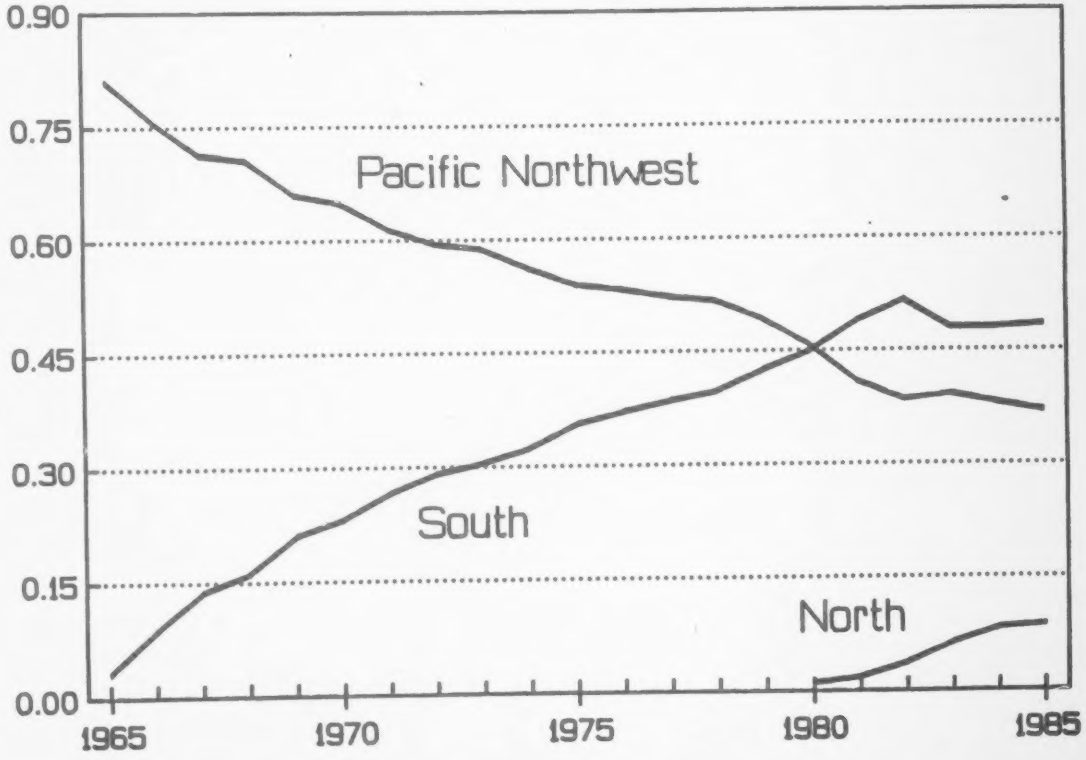


CHART 8.

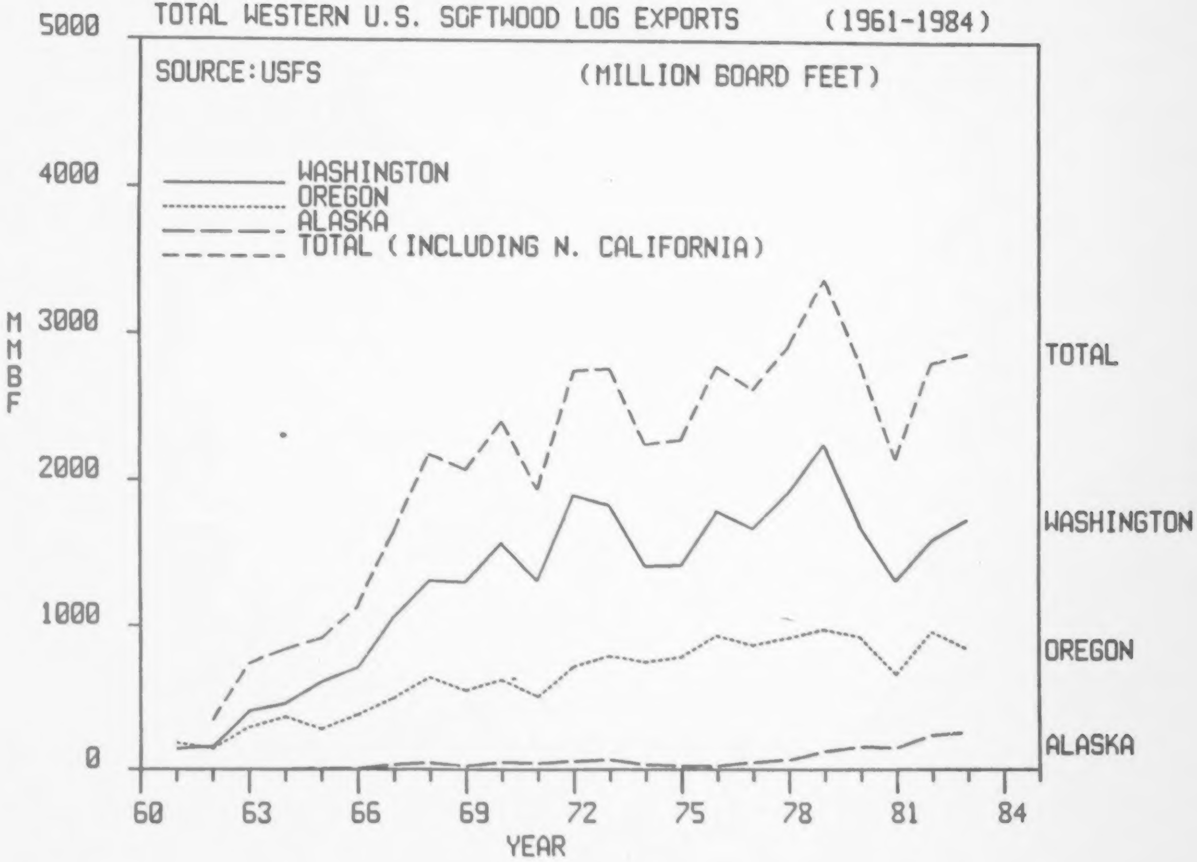

TOTAL WESTERN U.S. SOFTWOOD LOG EXPORTS (1961-1984)
SOURCE:USFS
(MILLION BOARD FEET)
WASHINGTON
OREGON
ALASKA
TOTAL (INCLUDING N. CALIFORNIA)
MMBF
5000
4000
3000
2000
1000
0
60
63
66
69
72
75
78
81
84
YEAR
TOTAL
WASHINGTON
OREGON
ALASKA

Table 2–Softwood lumber production in Western United States by region, and U.S. softwood structural panel board production, 1975-86

Year	Softwood lumber production: Total softwood lumber	Softwood lumber production: Western Washington and western Oregon 1/	Softwood lumber production: California redwood region	Softwood lumber production: Inland region 2/	U.S. softwood structural panel board production 3/
	Million board feet				Million sq ft, 3/8-inch basis
1975	17,773	7,134	2,194	8,445	16,050
1976	20,112	8,322	2,001	9,789	18,440
1977	21,105	8,796	2,000	10,309	19,677
1978	20,780	8,845	1,902	10,033	19,936
1979	20,025	8,427	1,818	9,780	20,022
1980	16,017	6,815	1,589	7,613	16,573
1981	14,869	6,270	1,452	7,147	17,073
1982	13,724	5,743	1,300	6,681	17,150
1983	18,002	7,934	1,580	8,488	20,926
1984	18,985	8,329	1,664	8,992	22,446
1985	19,068	8,062	1,730	9,276	23,129
1986:					
January	1,613	704	159	750	2,151
February	1,586	710	133	743	1,926
March	1,769	782	151	836	2,096
Total, 1st quarter	4,968	2,196	443	2,329	6,173
April	1,859	782	176	901	2,371
May	1,845	825	172	848	2,236
June	1,737	684	162	891	2,083
Total, 2d quarter	5,441	2,291	510	2,640	6,690
July	1,606	572	162	872	2,187
August	1,892	748	172	972	2,119
September	2,044	873	164	1,007	2,209
Total, 3d quarter	5,542	2,193	498	2,851	6,515
October	1,992	846	184	962	2,429
November	1,721	723	157	841	2,021
December	1,769	759	146	864	2,083
Total, 4th quarter	5,482	2,328	487	2,667	6,533
1986 total	21,433	9,008	1,938	10,487	25,911
	4th quarter 1986 change, in percent				
From:					
3d quarter 1986	-1.1	6.2	-2.2	-6.5	2.8
4th quarter 1985	18.8	20.9	25.2	16.0	10.7
	Year 1986 change, in percent				
From:					
Year 1985	15.9	19.3	8.9	14.4	12.0

1/ Includes small amounts of hardwood.

2/ Inland region includes eastern Washington, eastern Oregon California (except redwood region), Nevada, Idaho, Montana, Wyoming, Utah, Colorado, Arizona, New Mexico, and a portion of South Dakota.

3/ Data for 1975 are based in part on sampling. Since January 1983, structural panel board includes plywood, waferboard, and oriented strand board (OSB). Before 1983, statistics refer to plywood production in the United States.

Source: Western Wood Products Association, Portland, Oregon, and American Plywood Association, Tacoma, Washington.

Table 3–Wholesale prices of selected lumber products, 1975-86

(In dollars per thousand board feet)

Year	Douglas-fir std. and btr., 2 by 4 RL, 8/12', KD, net, f.o.b. mill	Ponderosa pine boards, no. 3, 1 by 12 RL, KD, net, f.o.b. mill	Ponderosa pine, no. 2 shop, 6/4 RWRL, S2S, net, f.o.b. mill	Fir-larch std. and btr., 2 by 4 RL, 8/20', KD, net, f.o.b. mill	Spruce-pine-fir std. and btr., 2 by 4 RL, 8/20', KD, net, f.o.b. mill
1975	148.00	144.00	205.00	144.00	117.00
1976	178.00	188.00	318.00	169.00	151.00
1977	213.00	229.00	380.00	202.00	173.00
1978	241.00	263.00	459.00	238.00	209.00
1979	260.00	309.00	479.00	201.00	225.00
1980	209.00	296.00	478.00	201.00	168.00
1981	190.00	296.00	483.00	181.00	158.00
1982	167.00	253.00	357.00	160.00	141.00
1983	222.00	258.00	571.00	213.00	185.00
1984	202.01	285.94	495.50	189.70	153.35
1985	206.15	235.01	494.27	189.91	153.34
1986:					
January	197.20	261.00	495.00	179.20	151.80
February	196.25	273.75	495.00	181.00	154.50
March	215.75	297.50	495.00	220.50	193.50
Average, 1st quarter	203.07	277.42	495.00	193.57	166.60
April	227.50	277.50	507.50	228.00	200.00
May	213.60	250.00	545.00	206.80	185.00
June	200.75	250.00	593.75	192.00	170.50
Average, 2d quarter	213.95	259.17	548.75	208.93	185.17
July	205.25	247.50	626.25	192.00	171.50
August	213.20	231.00	654.00	205.60	184.20
September	232.25	245.00	655.00	221.75	185.00
Average, 3d quarter	216.90	241.17	645.08	206.45	180.23
October	228.80	239.00	654.00	218.80	190.00
November	228.00	257.50	633.75	230.00	207.50
December	220.60	260.00	618.00	215.80	193.60
Average, 4th quarter	225.80	252.17	635.25	221.53	197.03
1986 average	214.94	257.48	581.02	207.63	182.26
	4th quarter 1986 change, in percent				
From:					
3d quarter 1986	4.1	4.6	-1.5	7.3	9.3
4th quarter 1985	12.8	8.5	28.3	24.1	30.3
	Year 1986 change, in percent				
From:					
Year 1985	4.3	9.6	17.6	9.3	18.9

Source: Random Lengths Publications, Inc.

Table 4–Wholesale prices of selected softwood plywood products, 1975-86

(In dollars per thousand square feet)

Year	Sheathing, western exterior, 3/8-inch, CD, net f.o.b. mill	Sheathing, southern (west) 1/ exterior, 3/8-inch, CD, net f.o.b. mill	Sanded, western interior, 1/4-inch, AD, net f.o.b. mill
1975	99.00	95.00	146.00
1976	127.00	125.00	160.00
1977	157.00	159.00	183.00
1978	169.00	174.00	214.00
1979	164.00	156.00	221.00
1980	155.00	155.00	211.00
1981	148.00	140.00	203.00
1982	135.00	139.00	185.00
1983	154.00	158.00	179.00
1984	151.76	150.24	170.93
1985	150.08	146.77	175.52
1986:			
January	149.40	146.60	171.60
February	144.75	148.25	171.25
March	163.50	154.75	184.00
Average, 1st quarter	152.55	149.87	175.62
April	168.00	156.00	189.00
May	162.60	149.40	182.40
June	158.50	147.00	175.50
Average, 2d quarter	163.00	150.80	182.30
July	159.25	150.00	173.50
August	157.80	153.60	171.00
September	162.75	157.00	172.00
Average, 3d quarter	159.93	153.53	172.16
October	158.00	155.00	173.00
November	155.25	150.25	174.50
December	147.00	147.80	175.00
Average, 4th quarter	153.40	151.02	174.17
1986 average	157.22	151.31	176.06
	- - - - - - - 4th quarter 1986 change, in percent - - - - - -		
From:			
3d quarter 1986	-4.1	-1.6	1.2
4th quarter 1985	-.3	1.1	.1
	- - - - - - - - - Year 1986 change, in percent - - - - - - -		
From:			
Year 1985	4.8	3.1	.3

1/ Texas, Louisiana, and Arkansas.

Source: Random Lengths Publications, Inc.

Table 5—F.o.b. mill prices for Douglas-fir lumber, coast mills, 1975-86 1/

(In dollars per thousand board feet)

Year	C selects	D selects and shop	Structural items	Utility	Light framing	Heavy framing	Economy
1975	405.84	224.78	184.85	83.80	138.77	164.92	44.62
1976	486.23	276.45	229.01	109.84	173.76	216.59	49.12
1977	503.86	342.38	288.67	147.56	215.43	260.68	60.61
1978	592.86	406.35	324.74	170.03	235.28	284.49	85.69
1979	891.29	480.10	409.96	179.20	245.72	334.22	85.89
1980	929.30	505.72	365.27	150.12	172.60	270.80	85.46
1981	746.77	426.09	328.91	136.73	192.99	262.91	83.25
1982	647.96	375.11	283.02	126.45	159.43	198.34	77.91
1983	684.91	425.96	261.85	161.77	200.75	222.39	87.33
1984	686.00	407.27	249.18	136.60	189.29	222.89	71.69
1985	671.46	409.79	248.70	130.79	190.04	226.08	67.63
1986:							
1st quarter	678.43	389.02	235.38	128.57	180.71	219.64	66.47
2d quarter	727.32	409.46	239.76	141.47	196.88	236.61	72.17
3d quarter	725.52	407.24	239.77	131.22	191.26	227.41	67.75
4th quarter	776.73	415.82	244.86	127.06	193.06	229.37	60.73
1986 average	726.38	404.98	239.98	131.92	190.79	228.56	66.59

1/ Figures are a combination of green surfaces and dry surfaces.

Source: Western Wood Products Association

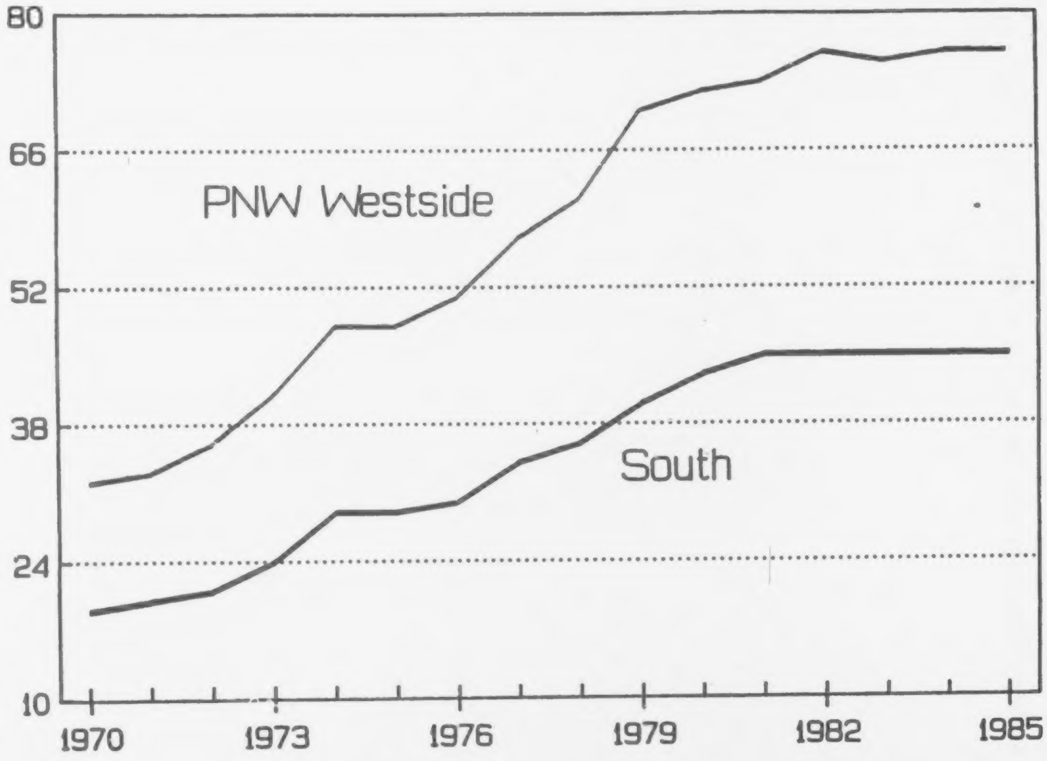
TABLE 6.

Table --Employment in forest products industries in Washington

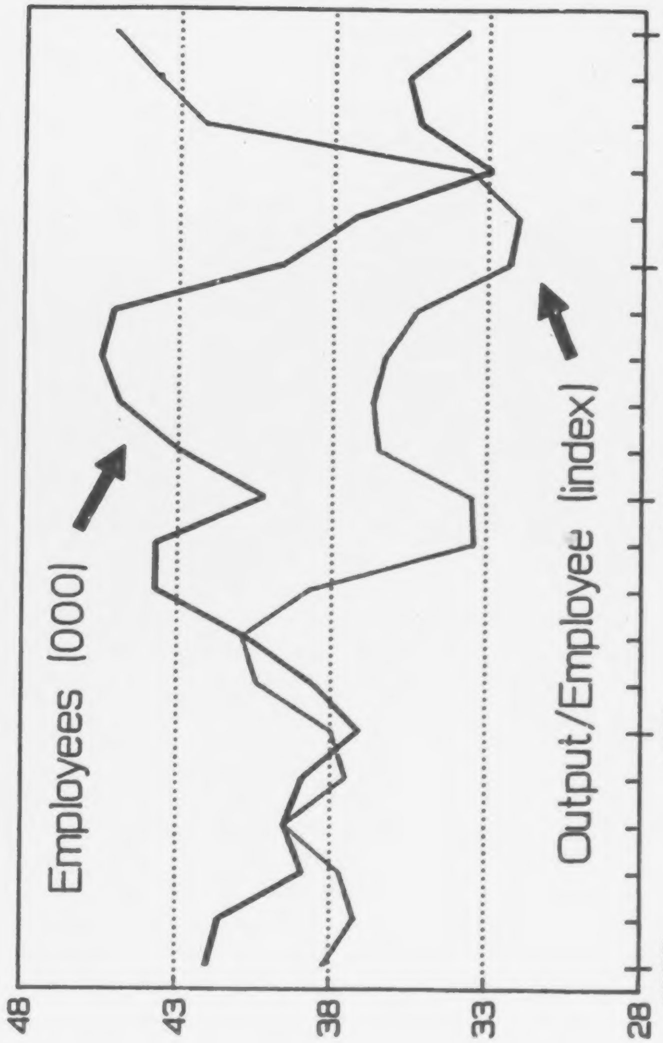
	Washington		
Year	Total	Lumber and wood products	Paper and allied products
1975	60.4	43.8	16.6
1976	68.4	51.0	17.4
1977	71.6	53.9	17.7
1978	69.1	55.1	14.0
1979	68.4	52.6	15.8
1980	64.1	46.5	17.6
1981	61.6	44.4	17.2
1982	55.2	39.0	16.2
1983	56.8	41.1	15.7
1984	57.2	41.0	16.2
1985	53.4	37.3	16.0
1986:			
January	52.1	35.9	16.2
February	51.9	35.9	16.0
March	52.0	35.9	16.1
Average, 1st quarter	52.0	35.9	16.1
April	52.6	36.6	16.0
May	53.3	37.2	16.1
June	54.5	38.1	16.4
Average, 2d quarter	53.5	37.3	16.2
July	51.9	35.0	16.9
August	53.9	37.2	16.7
September	55.0	38.3	16.7
Average, 3d quarter	53.6	36.8	16.8
October	54.1	37.8	16.3
November	52.9	36.6	16.3
December	52.7	36.3	16.4
Average, 4th quarter	53.2	36.9	16.3
1986 average	53.1	36.7	16.4

CHART 9.

Softwood Lumber Unit Labor Costs ($/MBF)



Softwood Lumber Labor Trends in the Pacific Northwest



Senator SIMON. Mr. Bowen, Vice President of Boeing Commercial Aircraft out of Roslyn, Virginia instead of Seattle, Washington. Mr. Bowen.

Mr. BOWEN. Thank you, Chairman Simon, Senator Adams. I am appearing here this morning on behalf of the Boeing Company. I currently am the Vice President for Human Resources for the Boeing Commercial Airplane Company. My remarks will be largely based on the written statement, which was submitted to Senator Adams' office last Friday. I am going to cover the company's employment projections for 1987 through 1992, our job training and retraining programs, and summarize Boeing's participation in other education and training endeavors.

To review our employment projections from the proper perspective, I would like to begin my testimony with a brief overview of some sales data and a description of the market environment in which we are operating.

Our five-year sales trend has been upward, ranging from nine billion in 1982 to slightly over sixteen billion in 1986. Annual net earnings, as a percent of sales, have ranged from 3.2 to 4.2 percent for the same period. Financial results for this year's first half will be released today.

The commercial transport manufacturing environment is becoming intensely competitive. Airbus Industry and the European governments which underwrite its operations are determined to increase their sales and market share at Boeing's expense. We are committed to maintaining our traditional share of the $255 billion open market in commercial jet aircraft between now and the year 2000.

Our defense business is being influenced by DOD and NASA budgetary constraints. And, while we expect modest growth in the military electronics market, there is a softening in the current market for computer products and services.

The five-year employment projection for the total Boeing Company indicates, with some minor fluctuations, an increase of approximately 10,000 employees to support work statement additions. Over the same five-year span, some 50,000 replacement jobs will be created nationwide as a result of the normal attrition process, which includes retirements, terminations and deaths, et cetera.

Washington State employment at mid-year was approximately 84,000 people. This represents approximately 61 percent of the total Boeing Company population. Out-of-State operations such as Vertol in Philadelphia, Pennsylvania and our Wichita, Kansas operation, employ 36,400. And our other subsidiaries, such as the Canadian operations, employ 17,000. Of the 10,000 employee additions forecast through 1992, only very modest increases, 2.7 percent, are being projected for Washington State. The Washington State operations include the Boeing Commercial Airplane Company, the population of 45,000 employees, with principal divisions located in Everett, Renton, and Auburn. BCAC represents 53 percent of our Washington State employee base. Other major Washington-based Boeing organizations are Boeing Aerospace Company at 14,000; Boeing Military Airplane Company at 9,600; and Boeing Computer Services Company at 7,200.

While few employment additions attributable to work statement changes are required in-state over the next five years, attrition will require us to replace approximately 30,000 employees. The Boeing in-state attrition percentage runs slightly more than one-half of one percent per month, approximately seven percent per year.

During 1986, Boeing employees in the State of Washington attended 1.8 million hours of classroom instruction. Nearly 30 percent of these hours were taken on an off-hour, non-paid voluntary basis. And enrollees for that period totaled 190,000. Over the past 17 months, 1,400 people have completed company-sponsored training at vocational and technical institutes preparing them for semiskilled factory jobs. Over 90 percent of the graduates of these programs have been hired. In 1983, about 200 employees in skill areas of declining demand were retrained in factory assembly skills. The program was sponsored jointly by the IAM and the company, and was voluntary and conducted off-hour with tuition and books paid for by the company.

In 1985, Boeing began working with Renton Vocational Technical Institute to establish a skills conversion training program in the area of electronic maintenance to fulfill a contractual commitment with the IAM as well as to meet future skill requirements of the company. Three classes of 20 students each have been conducted to date. Each class consists of 360 hours of instruction attended off-hour.

At Boeing's Lake Charles, Louisiana operation Joint Training Partnership Act funds have been employed to train displaced workers from the agriculture and oil industries. About 1,100 people have been trained or are attending classes to become aircraft mechanics. Instruction is offered on both a preemployment basis and on-the-job training. The facility's current population is 1,800 people. Thirty-five percent were unemployed before being trained and hired by Boeing.

While the company does not use JTPAL for direct funding in Washington State, we believe indirect benefits may accrue to us through our work with the Washington State Employment Security Department.

The Boeing Company, along with other businesses on the Washington Roundtable Education Committee, made a series of recommendations to the State Legislature over the last two years which included early childhood education for children at risk, drop-out prevention programs, remedial course funding, drug and alcohol abuse education programs, and professional development for teachers. These recommendations have all been signed into law.

In addition, the Boeing Company is a vigorous participant in the K through 12 program. Several of our efforts to inform, educate, and otherwise support this important program are described in our written statement. The company provides full reimbursement for tuition fees to those employees interested in taking individual courses or enrolling in degree or certificate programs in areas of mutual interest to the company and employees. Reimbursement in 1986 totaled $2 million.

The Boeing Company has had a long history in providing support for universities in the form of scholarships, fellowships, grants, and contracts. We are proud of our relationships with institutes of higher learning and expect to have strong ties with them in the future. They produce the engineers and other professionals that allow our company to function.

In summary, while the Boeing Company realized record sales and operating earnings for 1986, intense market pressures, particularly from the Airbus Industry, are seriously challenging the company's leadership position in the aerospace manufacturing industry. Boeing's success in this increasingly competitive environment depends upon its most important asset, Boeing employees. It is the Boeing Company's belief that its various employee training and education programs and the company's strong support of educational programs in the community will strengthen its competitive position and enhance the economic and social well being of the communities in which we operate.

Thank you very much.

Senator ADAMS. Thank you Mr. Bowen. Your written statement will be inserted in the record.

[The prepared statement of Mr. Bowen follows:]

Statement by The Boeing Company before the Senate Subcommittee on Employment and Productivity of the Labor and Human Resources Committee

July 27, 1987
Seattle, Washington

Fred O. Bowen
Vice President – Human Resources
Boeing Commercial Airplane Company

Introduction

This statement has been prepared by The Boeing Company in response to a request from the Honorable Paul Simon, Chairman - Subcommittee on Employment and Productivity, to present the Company's future employment needs, its job training programs and its utilization of government programs for job retraining. Information on Boeing's Employment Projections, Job Training Programs, Job Retraining Programs and a Summary of the Corporation's Participation in Education and Training Programs is preceeded by Sales data and a brief description of the current Market Environment.

Contents

I. Sales, 1982-1986

II. Market Environment

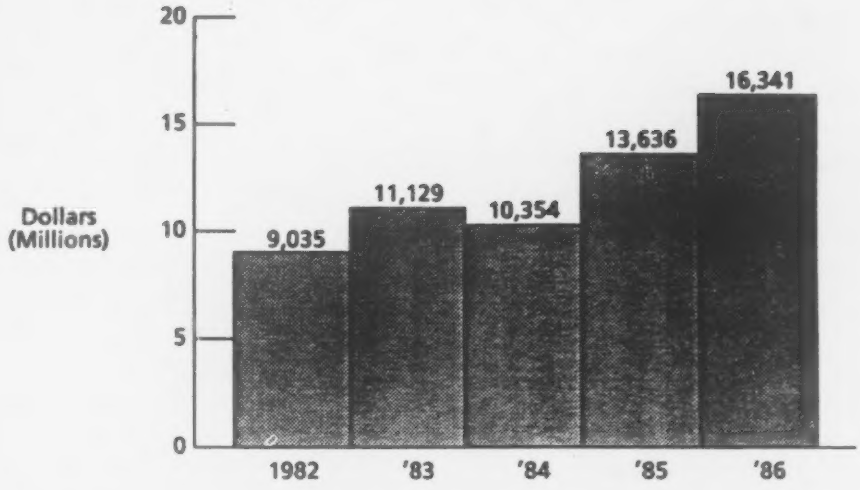
III. Employment Projections, 1987-1992
   A. Total Company
   B. Washington State
   C. Washington State by
      1. Major Operating Organization
      2. Work Statement and Attrition
      3. Summary by Payroll

IV. Job Training Programs
   A. On-Hour and Off-Hour
   B. Pre-Employment Training
   C. Apprenticeships

V. Job Retraining Programs
   A. Boeing and International Association of Machinists
   B. Joint Training Partnership Act

VI. Summary of Participation in Education and Training Programs

I. Sales



Record sales and operating earnings highlighted 1986, a year that included a new high in the dollar value of announced commercial jet transport orders and the acquisition of significant new U.S. government business. The Company also made substantial progress on major jetliner derivatives, negotiated key labor contracts, and began integrating de Havilland of Canada turboprop commuter aircraft into its product line.

Sales increased by 20% over 1985 to $16.3 billion while net earnings increased 17% to $665 million. The firm backlog of unfilled orders rose 7% over the previous year from $24.7 billion to $26.4 billion.

Of the total 1986 backlog, $20.1 billion, or 76%, was commercial business.

II. Market Environment

The total commercial transport airplane open market for the 1987-2000 period is estimated to be $255 billion expressed in 1987 dollars.

Intense competition among commercial transport manufacturers continues to result in extreme pricing pressures and increased financing requirements.

Competitive pressures, particularly from Airbus Industries, the European government supported consortium, pose a serious threat to Boeing's position as the world's leading manufacturer of commercial jet transports.

To be successful in this environment, the Company is investing heavily in research and development, employee training, and comprehensive quality and productivity programs.

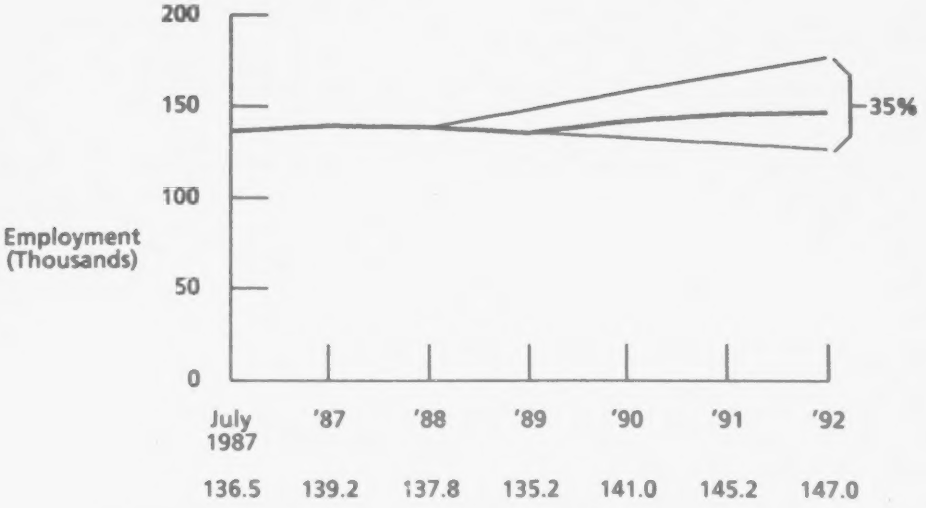
The market environment for Department of Defense (DOD) and National Aeronautics and Space Administration (NASA) business continues to be predominantly influenced by budgetary constraints and procurement policy changes. The DOD budget for the next two fiscal years is expected to decline in real terms and then assume zero or modest real growth.

The military electronics market is expected to experience modest growth in the command, control, communications and intelligence and electronic warfare segments, both of which are important to many Company product lines.

Long-term market forecasts for computer products and services remain positive, however the current softening of the market has been more severe than expected. Not only have market growth rates declined substantially, competition for market share in processing-related service, particularly time sharing, has increased.

III. Employment Projections, 1987-1992

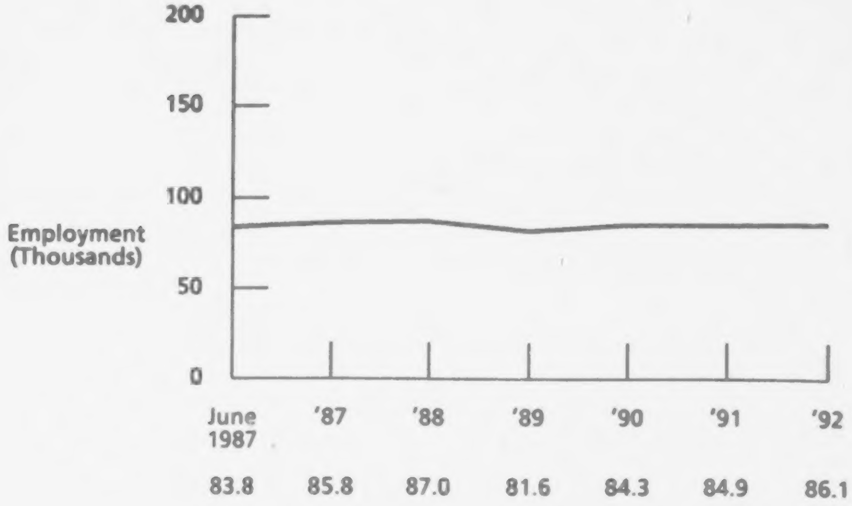
A. Total Company



The five year employment projection for the total Boeing Company indicates, with some minor perturbations, an increase of approximately 10,000 employees necessary to support work statement additions. Over the same span, some 50,000 jobs will be made available as a result of the normal attrition process which includes such actions as retirements and terminations.

III. Employment Projections, 1987-1992

B. Washington State

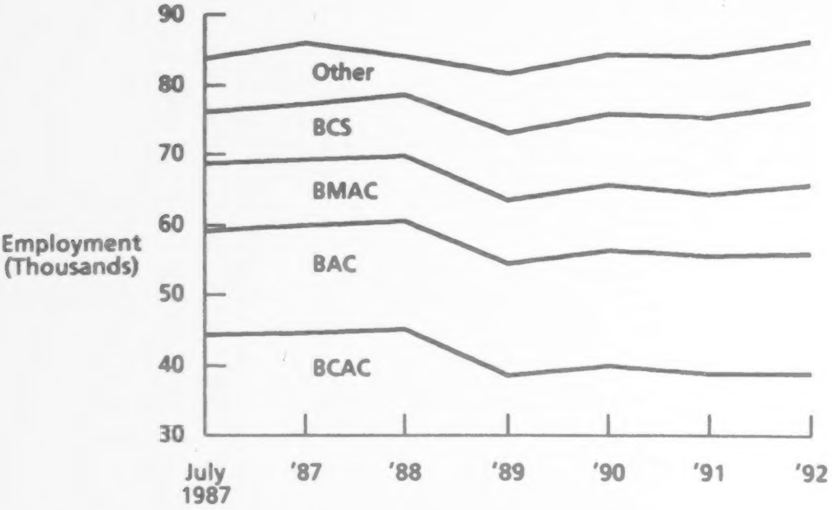


At mid-year, Washington state employment was 83,800 or approximately 61% of the total Boeing Company. Out-of-state operations (excluding subsidiaries) such as Vertol and Wichita employ 36,400 and Boeing subsidiaries such as the Canadian operations employ 17,000.

Of the 10,000 employee additions through 1992, only very modest increases (2.7%) are being projected for Washington State.

III. Employment Projections, 1987-1992

C. 1) Washington State by Major Operating Organization



The Washington state operations include Boeing Commercial Airplane Company (BCAC) Divisions located principally in Everett, Renton and Auburn which comprise approximately 50% (or 45,000) of Boeing Washington State employment. Other major Boeing organizations are as follows:

	Current Employment	Location	Percent of Total State Employment
Boeing Aerospace Company (BAC)	14,900	Kent	18%
Boeing Military Airplane Company (BMAC)	9,600	Seattle	11%
Boeing Computer Services Company (BCS)	7,200	Bellevue	9%

III. Employment Projections, 1987-1992

C. Washington State

2. By Work Statement and Attrition

	Work Statement	Attrition Replacement	Total Requirements
1987-1988	+1.2	+6.0	+7.2
1988-1989	-5.4	+6.0	+0.6
1989-1990	+2.7	+6.0	+8.7
1990-1991	+0.6	+6.0	+6.6
1991-1992	+1.2	+6.0	+7.2
	+0.3	+30.0	+30.3

While few employment additions attributable to work statement changes are required in-state over the next five years, attrition replacement will require the hiring of approximately 30,000 employees.

The Boeing in-state attrition percentage runs a bit more than one-half of one percent per month or approximately 7% per year.

3. By Payroll

Payroll	5 Year Requirements (Thousands)	How Requirements Are Met	Training*
Management	3.5	Promotion from within	Basic management skills
Professional & Administrative	2.4	Promotion from within/ some hire	Off-hour
Engineering	5.1	Hire – field and college recruiting	Orientation and production familiarization
General Office	4.7	Local hire – predominately clerical	Pre-employment
Technical	3.8	Local hire – some recruiting	On-hour and off-hour
Hourly	10.8	Local hire	Pre-employment
Total	30.3		

*On-the-job training occurs in all payroll categories.

III. Employment Projections, 1987-1992

C. Washington State

The Boeing workforce is broken into six major payrolls each unique in the nature of its work composition and therefore, the nature of payroll qualification.

Engineering, for example, requires knowledge of an advanced type in a field of science acquired through a degreed course of study at an accredited university.

The Professional and Administrative payroll is comprised of such occupations as Buyers, Systems Analysts, Accountants, Estimaters and Programmers. The candidate's background must demonstrate the capability to perform the exempt work assignment through a combination of a significant number of years of work related experience and applicable special education (typically university business or mathematics related) as well as experience successfuly performing the specific exempt work assignment.

The General Office payroll is comprised of predominantly clerical jobs such as Clerks, Secretaries, Personnel Assistants and Data Entry Operators. There are, however, entry level General Office specialists jobs requiring advanced education (e.g., Cost Accounts, EDP Analysts and Price Estimators).

The Technical Payroll is comprised of occupations such as Drafters, Technical Aides, Industrial Engineering Analysts and Illustrators. Entry to this payroll would typically require some specialized training or broad shop knowledge involving mathematics and manufacturing methods.

The Hourly Payroll, which carries 36% of the Boeing in-state population, is comprised of production and maintenance workers performing jobs such as Assembly Mechanic and Electrician, Jig Builder, Tool and Die Maker, Electronic Assembler, Inspector, Riveter and Machinist. Entry to the Hourly Payroll spans a wide variety of educational and experience requirements since jobs range from skilled machinists to unskilled Manufacturing Helpers.

The Management payroll is staffed through the process of internal promotion from all of the payrolls previously cited.

In summary, off-the-street, unskilled requirements typically occur in the lower labor grades of the Hourly and General Office payrolls.

IV. Job Training Programs

A. On-Hour and Off-Hour

During 1986 Boeing employees in the State of Washington attended 1,800,000 hours of classroom instruction. Nearly 30% of these hours were taken on an off-hour, voluntary basis. Enrollees for the period total 190,000.

B. Pre-Employment Training

Over the past 17 months 1,400 people have completed training at vocational and technical institutes preparing them for semi-skilled factory jobs. Over 90% of the graduates have been hired.

C. Apprenticeships

There are currently 80 employees enrolled in four-year apprenticeship programs to become journeyman machinists, model makers or tool and cutter grinders. The program is jointly administered by Boeing and the International Association of Machinists.

V. Job Retraining Programs

A. Boeing and International Association of Machinists

In 1985 Boeing began working with Renton Vocational Technical Institute (RVTI) to establish a Skills Conversion Training Program in the area of electronics maintenance to fulfill our contractual commitment with the IAM as well as to meet skill requirements of the company. Three classes of 20 students each have been conducted to date. Each class consists of 360 hours of instruction attended off-hours. In 1983 about 200 employees in skill areas of declining demand were retrained in factory assembly skills. The program was voluntary and conducted off-hour with tuition and books paid for by the Company.

B. Joint Training Partnerships Act

At Boeing's Lake Charles, Louisiana operation, JTPA funds have been employed to train displaced workers from the agriculture and oil industries. About 1,100 people have been trained or are attending classes to become aircraft mechanics. Instruction is offered on a pre-employment basis and on-the-job. The facility's current population is 1,800. Thirty-five percent were unemployed before being trained and hired by Boeing.

The company does not use JTPA for direct funding in Washington State. Indirect benefits may accrue to Boeing through its work with the Washington Employment Security Department.

VI. Participation in Additional Education and Training Programs

A. The Boeing Company, along with other businesses on the Washington Roundtable Education Committee, made a series of recommendations to the state legislature over the past two years which included: early childhood education for children at risk; drop-out prevention programs; remedial course funding; drug and alcohol abuse education programs; and professional development for teachers. These recommendation have all been signed into law.

B. The Boeing Company's K-12 program activities include:

- Producing videotapes describing about 25 different career opportunities at Boeing. These are distributed to every high school, voc-tech institute, and community college in the state and other states where there are large concentrations of Boeing employees.
- Producing a 30 minute film "Attitudes" to be utilized in middle school and high school classrooms to help alleviate the high school drop-out problem in those states where we have Boeing facilities.
- Providing funds for "mini-grants" for teachers to enhance curricula in classrooms.
- Establishing a network of education managers throughout the company to create business partnerships within school districts in areas where Boeing facilities are located.
- Creating a "Computer for Kids" competition within school districts throughout the Puget Sound area in an effort for kids to have a better understanding of computers and their use in the classroom, the home, and at work. Winning classrooms win an Apple P.C.
- Developing the Technology in Education (TIE) program to assist secondary school teachers in having a better understanding of math and science with particular emphasis on the relevance of these disciplines to industry needs.

VI. Participation in Additional Education and Training Programs (Continued)

C. The company provides full reimbursement for tuition and fees to those employees interested in taking individual courses or enrolling in degree or certificate programs in areas of mutual interest to the company and employees.

D. The Boeing Company has had a long history in providing support for universities in the form of scholarships, fellowships, grants and contracts. We are proud of our relationships with institutions of higher learning and expect to have strong ties with them in the future. They produce the engineers and other professionals that allow this company to function.

Some of the unique relationships with universities include:

- Televised Instruction in Engineering (TIE), where Masters level lectures in Aeronautics and Astronautics, Electrical Engineering and Mechanical Engineering, are televised live by cable to Boeing sites for Boeing classes.
- National Technological University provides live interactive televised classes by satellite from a variety of universities to a Boeing site for Master's Degree level programs in Computer Engineering, Computer Science, Electrical Engineering, Engineering Management, and Manufacturing Systems Engineering.
- Cogswell College's Bachelor of Science in Engineering Technology Program where The Boeing Company established a five year contract with the college, which has as its home base San Francisco, California, to provide seed money for an extension program in Kirkland, Washington, to provide BSET graduates to help meet skill requirements of The Boeing Company and other high-tech firms in the area.

Summary

While The Boeing Company realized record sales and operating earnings for 1986, intense market pressures, particularly from Airbus Industries, are seriously challenging the Company's leadership position in the aerospace manufacturing industry.

Boeing's success in this increasingly competitive environment depends upon its most important asset...Boeing employees. It is The Boeing Company's belief that the various employee training and education programs described in this paper, and the Company's strong support of eductional programs in the community, will strengthen its competitive position and enhance the economic and social well-being of the communities in which it operates.

We recognize the unemployment problem that exists in the United States and the need to create additional jobs. We believe that creating private sector jobs is the preferable solution, to the extent that such job creation can be accomplished in a manner that does not jeopardize industrial productivity or our international competitiveness. With respect to S.777, we do not have sufficient understanding of the economics associated with public sector job creation and administration to evaluate its cost effectiveness.

Senator **Adams**. Mr. Daly.

Mr. **Daly**. Senator Adams, I appreciate your interest in this matter. And this morning my comments may not be particularly enlightening to you, but I hope they will be of some interest. As a senator from a agricultural State you understand the underlying importance of agriculture and the dependence on the economy.

We entertain a multitude of issues and difficulties facing the agricultural sector in Washington State. We find that our problems are in no sense unique as a collective comparison with United States agriculture. We generally view a crisis in terms of shortages. Yet we have a crisis here of surplus. We consider all the facets that affect the farm economy in the State and the Nation can be considered, among others, to rest on our competitiveness and access to markets.

Agriculture, like other industries, competes for resources, whether they be human, monetary or natural, while at the same time they are competing for markets which are local, national, and worldwide. The integration of the global economy and the interdependence of the food and agriculture system is resulting in long-term dramatic structural and economic change. These changes clearly appear to be fundamental in nature and permanent rather than transitory. How we manage these changes or conversely fail to manage them will influence the very well being of the U.S. agriculture system for decades to come. The decisions will have a profound impact on the role that U.S. food and agriculture will play in our domestic and international economy far into the future. For these reasons, it is essential that everyone involved in the food and agriculture system, from the aspiring student to the current producer, to marketing entities and government have a better understanding of the world environment, knowledge of the political and financial systems, fiscal conditions, cultures, traditions, and demographics of our customers as well as our competition. The U.S. farmers' competitive advantage lies in their productivity and on the systems that enhance the efficiency of their operation.

Research in extension, institutions, manufacturing, distribution, and marketing are all integral parts of the system that allows U.S. producers to move products from farm to consumer at unit costs that are generally unattainable in other parts of the world. In the long term, trends would indicate that a move toward self-sufficiency by many countries will become less attractive when the realization of the costs become evident.

Earlier this month we reached a point where the world population was estimated to have reached five billion, and we will be adding another 1.5 billion people by the year 2000. To put this in chronological perspective, we are closer to the year 2000 than we are to the year 1974. Many of these individuals will reside in middle income countries with reasonable prospects for economic growth. It is of course impossible to predict with any certainty the direction of the world's future agricultural production or this country's exact role in meeting those needs. It is, however, possible to predict with some confidence that more food will be needed, and as long as we remain committed to the pursuit of technology and productivity, we will be key players and make an important contribution.

In my estimation, the future of American agriculture will hinge on the relative costs of producing farm products in the United States or the ability of our competitors to do so more efficiently in their own countries. We are clearly in a state of transition. How we respond to the new conditions will determine the extent to which we, as a Nation and an industry, will be players in the future of international trade. We need to open both our eyes and our minds to the reality that our economy is subjected to international forces beyond the reach of purely domestic policies. It will require the collective efforts of the private and public sectors working together cooperatively to design the best strategies and not a stategy of survival, but one of opportunity. In this State, a joint effort between the Washington State Department of Agriculture, Washington State University, and the Department of Trade and Economic Development has coordinated a series of activities and programs to implement a common goal of increased trade and an enhanced image for Washington State agriculture.

The State Department of Agriculture focuses on promotion, market development and trade information. Washington State University, through the impact center, concentrates on research and education, with an emphasis on areas including an understanding of international markets and their needs, commodity development, quality control, and the development of new processing industries.

Trade and economic development have the responsibility to identify and attract food processors and related capital investment to Washington State. In addition to this, an advisory committee composed of 13 industry representatives, serves as a sounding board to help priorities and goal and focus on maximizing opportunities for exposure of Washington agriculture. While this may not be a panacea for the problems that currently face agriculture, it is a step in the right direction that we fully expect to pay dividends in the long-term health of our natural resource economy.

A more significant consideration here may be that it is proactive instead of reactive. This State made a decision to commit our resources and aggressively pursue markets in an attempt to utilize any comparative advantage we have in the Pacific Rim and anywhere else in the world.

Washington State is particularly sensitive to the profound impact trade has on our economy. While purely free trade may not be practical, fair trade should certainly be the goal.

In the area of human resources, the Immigration Reform and Control Act has caused some uncertainty to labor availability in regard to this year's harvest in Washington State food crops. The farm gate value alone of crops in Washington that are harvested by hand exceeds $600 million per year and at peak harvest employs over 40,000 workers. The consequences of an insufficient labor supply would have a severe impact on rural communities and a significant general impact on the State.

Farm credit is another issue that, if not resolved, will certainly impair the ability of many farmers to obtain necessary credit. The reports that we have indicate between eight and nine thousand farm borrowers that have outstanding farm loans. This is compounded because they are in non-performing loan status. The remaining 75 percent of the borrowers are affected because they must be charged a higher interest rate to make up for the losses. I would recommend that Congress consider some solution to the demise of the farm credit system. Saving every farm, especially those on the verge of bankruptcy may not be possible, nor is it necessarily warranted. However, there is a need to provide stability to the system in order that those farmers who are making payments have a reasonable chance of maintaining their operation and not be taken out of business solely because of the demise of the credit system.

A joint effort this spring produced the first Washington Farm and Family Resource Guide. Its intended purpose was to alert farmers and families experiencing economic hardship to the various services available. This included USDA cost-share programs and alternative marking strategies. It was also recognized that some farm families would be leaving agriculture and therefore also outlined retraining and education programs available. In this respect, the Federal Guaranteed Job Opportunity Act, with some minor modifications, in conjunction with the JTPA Act, may provide an opportunity for displaced workers.

An amendment to section eight that would allow for eight hours per week of relevant academic or vocational training in place of the job search provision may enhance their opportunities in finding meaningful career employment at the termination of those projects.

In addition, since the Immigration Control and Reform Act requires a greater reliance on domestic labor for harvesting crops, some consideration might be warranted that would enhance both the financial regards and the opportunities in the ag labor sector. One avenue of approach would be to allow a portion of the wages offered under the Guaranteed Job Opportunity Act to be paid in addition to the piece rate or wage paid by the grower. In the short term this may avert potential labor shortage and keep domestic food costs down, and in the long term diminish our dependency on foreign labor as well as provide time for agriculture to make the necessary adjustments to a new labor supply condition.

I appreciate the interest and concern by your committee, and we stand willing to work with Congress in any way we can to help.

Senator ADAMS. Thank you, Mr. Daly.

Ms. Davis.

Ms. DAVIS. Thank you. Chairman Simon, in spirit, Senator Adams, thank you for inviting me to join you this morning. I am Patricia Davis, an elected member of the Seattle Port Commission. This committee is considering matters that go to the throat of the Port's mandate: jobs, particularly jobs involving international trade. The Port of Seattle was established by the State of Washington 76 years ago to create jobs, to generate revenues, and to enhance economic activity by regulating scarce resources on the public's behalf.

Throughout the years, the Port of Seattle has made preeminent strides in fulfilling its mandate. Today there are some 118,000 jobs and billions of dollars in business revenue that flow into the State from Port operations. The types of jobs that are generated or stimulated by the Port are those that you might imagine: ship operators and agents, terminal operators, Longshore and Teamsters, laborers, as well as electrical, mechanical, and other craft industry workers, freight forwarders, pilots, tug and barge operators, railroad employees, legal, insurance, and banking services, baggage handlers, communications workers, janitorial and food service workers, packaging and assembly workers, hotel, motel, and entertainment, retail merchants, car rental, air freight, air mail workers, and so on and on.

This economic activity stems from Seattle now being the fifth largest container port in the United States. Approximately $25 billion of the State's $40 billion in cargo moved across our docks in 1986. In addition, we are now the largest U.S. exporter of containerized merchandise to Asia. This record has been set in the face of a severely competitive trade environment.

The Port of Seattle's airport, Sea-Tac, is the 19th ranked airport in the United States, and is growing at an annual rate of 15 percent. We have 25 major carriers, 12 of them international.

The people represented by the Port of Seattle and the State of Washington benefit substantially from trade and understand that they benefit from trade. In fact, Washington State is the most trade-dependent State in the United States.

While I would like to elaborate on how we expand our job-producing linkages among sections of the economy, let me just summarize by mentioning three of them. First, the Port of Seattle has developed a set of extensive marine and air facilities. Second, we market our Port aggressively as the gateway closer to Asia than any other port, our labor productivity, intermodal transportation services. And, as a result, we have an aggressive presence in Asia. Third, the Port of Seattle has some unique programs and services. We operate, for one thing, our own warehousing and distribution system. We are the only port on the West Coast to do so. This operation provides increasing numbers of jobs for unskilled labor as well as the other kinds that I mentioned.

Lest you think that all I am mentioning to you involves imports, let me talk a little bit about the importance of exports to our Port and our State. Washington State is more dependent on exports than any other state. We have tremendous agricultural exports, wheat and fruit in particular. We export vast quantities of forest products. We have several growing technology-intensive companies, like Microsoft and Fluke, that aggressively export. And, as you know, we have more than a few Boeing airplanes and airplane parts going out of the State of Washington.

We also export many products from other places in the United States. One of our top export items is hides from the Midwest, some of which come from the State of Illinois. We export substantial quantities of cotton from some of the states which, ironically, support increased textile and apparel trade restrictions.

The Port is also in its third year of an intensive five-year tourism development program aimed primarily at Japan, trying to get back some of the dollars that they have earned from us. And for King County's economy, tourism is now our second largest industry. As you can see, we care a lot about maintaining a strong international trading system.We are aware of the impact of trade on other parts of the country, however. We are aware of differing views on those impacts.

We do want to make sure, however, that other parts of the country recognize that cutting off imports is not the answer to our competitive problems. Additional import restrictions would impose substantial costs on our economy in terms of lost jobs, lost business revenues, and increased costs to consumers. Barriers on imports also lead to reductions on exports. Increased protectionism could do more to wipe out jobs generated by the Port of Seattle than almost any other government action.

Fishing is also a growth industry for Washington State, representing about $2 billion in revenues here. The Port of Seattle is embarking on a $13 million renovation for our Fishermen's Terminal this year, where factory trawlers and processors can be accommodated. Much of the processed fish that we see developing here, the processing, is exported to our Asian trading partners. The Port of Seattle urges you to continue to support this growing and vital U.S. industry.

One other area that is worth mentioning is the U.S. passenger cruise ship industry. This is an area where something needs to be done to capture opportunities which are now flowing out of this country. Modifications to U.S. laws could generate thousands of jobs and millions of dollars in revenue. This year we will see about 200 northbound cruises made from Vancouver, British Columbia to Alaska, representing about $300 million that is not coming into the State of Washington. And ironically a majority of those passengers arrive at Sea-Tac and are bused north. Last weekend about 280 Longshoremen in Vancouver were provided with work as a result of the cruise ship business.

Senator Adams, we at the Port of Seattle are ever cognizant of our role and our charge to stimulate economic activity in the form of jobs and revenues. We believe that we are doing just that, by an aggressive program of facilities development, target marketing, and intermodel and commercial services, combined with planning ahead for future growth, changes in technology, composition of the trading network and types of cargoes, and expanded development of the area as a multi-faceted trade and tourist center.

We are pleased to be represented on this panel to bring our endeavors into focus for you today. We are anxious for you to know that we champion identical goals, economic vitality, increased employment, and lusty revenue flows. Thank you for taking your invaluable time for concentrating on these issues today.

[The prepared statement of Ms. Davis follows:]

TESTIMONY OF

PATRICIA DAVIS
PORT COMMISSIONER

PORT OF SEATTLE
P.O. BOX 1209
SEATTLE, WA 98111

BEFORE THE

UNITED STATES SENATE
COMMITTEE ON LABOR AND HUMAN RESOURCES
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

SEATTLE, WASHINGTON
JULY 27, 1987

CHAIRMAN SIMON, SENATOR ADAMS, HONORABLE MEMBERS OF THE SENATE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY. THANK YOU FOR INVITING ME TO JOIN YOU THIS MORNING.

I AM PATRICIA DAVIS, AN ELECTED MEMBER OF THE SEATTLE PORT COMMISSION.

THIS COMMITTEE IS CONSIDERING MATTERS THAT GO TO THE THROAT OF THE PORT'S MANDATE: JOBS. PARTICULARLY JOBS INVOLVED IN INTERNATIONAL TRADE. THE PORT OF SEATTLE WAS ESTABLISHED BY THE STATE OF WASHINGTON 76 YEARS AGO TO CREATE JOBS, GENERATE REVENUES AND ENHANCE ECONOMIC ACTIVITY BY REGULATING SCARCE RESOURCES ON THE PUBLIC'S BEHALF.

THE PORT IS CHARGED WITH ENHANCING THE FLOW OF CARGO AND PASSENGERS THROUGH ITS FACILITIES. THROUGHOUT THE YEARS, THE PORT OF SEATTLE HAS MADE PREEMINENT STRIDES IN FULFILLING ITS MANDATE. RESULTS TODAY REVEAL THAT SOME 118,000 JOBS AND BILLIONS OF DOLLARS IN BUSINESS REVENUE FLOW INTO THE STATE FROM PORT OPERATIONS.

THIS ECONOMIC ACTIVITY STEMS FROM SEATTLE NOW BEING THE FIFTH LARGEST CONTAINER PORT IN THE U.S. APPROXIMATELY $25 BILLION OF THE STATE'S $40 BILLION IN CARGO MOVED ACROSS OUR DOCKS IN 1986.

- WE ARE THE LARGEST U.S. EXPORTER OF CONTAINERIZED MERCHANDISE TO ASIA.

- THE PORT OF SEATTLE'S AIRPORT, SEATTLE-TACOMA INTERNATIONAL, IS THE 19TH RANKED AIRPORT IN THE UNITED STATES IN TERMS OF PASSENGER VOLUME. WE SERVED OVER 13 MILLION PASSENGERS LAST YEAR AND ARE GROWING AT AN ANNUAL RATE OF 15%.

- SEA-TAC IS SERVED BY 25 MAJOR CARRIERS, INCLUDING 12 INTERNATIONAL CARRIERS.

- WE ALSO OPERATE A NUMBER OF ADDITIONAL FACILITIES, INCLUDING THE DOMINANT FISHERMEN'S TERMINAL IN THE NORTHWEST--WHICH IS THE HOME PORT FOR HALF OF THE ALASKA FISHING FLEET; CHILL FACILITIES; WAREHOUSES; A 1,500 SLIP MARINA: AND GRAIN AND AUTO TERMINALS.

THE PEOPLE REPRESENTED BY THE PORT OF SEATTLE AND THE STATE OF WASHINGTON BENEFIT SUBSTANTIALLY FROM TRADE, AND UNDERSTAND THAT THEY BENEFIT FROM TRADE. IN FACT, WASHINGTON STATE IS THE MOST TRADE-DEPENDENT STATE IN THE U.S. THE PORT OF SEATTLE CONTINUES THEREFORE TO SUPPORT PUBLIC AND PRIVATE TRADE-ENHANCING INITIATIVES.

WE RECOGNIZE THAT IN OTHER PARTS OF THE COUNTRY, VIEWS ABOUT TRADE MAY DIFFER FROM THE DISTINCTIVE VIEWS HELD BY MANY ON THE WEST COAST. BECAUSE, HOWEVER, THE GLOBAL TRADING SCENE HAS SHIFTED, THE WEST COAST OF THE U.S. IS NOW THE SCENE OF THE NATION'S LARGEST SHARE OF TRADE. I WOULD LIKE TO ILLUSTRATE HOW WE TRY TO CAPITALIZE ON THIS PHENOMENON, THEREBY EXPANDING THE JOB-PRODUCING LINKAGES AMONG SECTORS OF THE ECONOMY.

FIRST, THE PORT OF SEATTLE HAS DEVELOPED EXTENSIVE FACILITIES. MARINE FACILITIES: THE PORT OF SEATTLE HAS 24 COMMERCIAL PIERS, 58 BERTHS AND 23 HIGH SPEED CRANES. ALTHOUGH WE ARE LARGELY A CONTAINER-DRIVEN PORT, WE ALSO HAVE GENERAL CARGO, AUTOS, A GRAIN TERMINAL, FRUIT CHILL FACILITIES, TUG AND BARGE TERMINALS, A FISHERMEN'S TERMINAL, RECREATIONAL MOORAGE, ON-DOCK RAILYARD COMING ON LINE, AND AN UNIQUE WAREHOUSE AND DISTRIBUTION SYSTEM. TWO INTERMODAL RAILYARDS WITH DOUBLE-STACK CAPACITY PROVIDE EXCELLENT SERVICE TO OUR CONTAINER TERMINALS.

THE ECONOMIC IMPACT OF THE MARINE SIDE IS ESTIMATED TO BE 46,000 JOBS, $1 BILLION IN PAYROLL, AND $3 BILLION IN BUSINESS REVENUES.

EACH CONTAINERSHIP VISIT ALONE, FOR INSTANCE, CONTRIBUTES ABOUT $650,000 TO THE COUNTY ECONOMY.

AIRPORT FACILITIES: SEA-TAC PROVIDES 66 AIRCRAFT GATES, 20 BAGGAGE CLAIM DEVICES AND TWO HIGH-SPEED BAGGAGE CONVEYOR BELTS FROM THE TWO SATELLITE TERMINALS TO THE MAIN TERMINAL. WE ALSO HAVE STATE-OF-THE-ART COMPUTERIZED INSTRUMENT LANDING SYSTEM, AIR CARGO FACILITIES AND PARKING ACCOMMODATIONS.

THE ECONOMIC IMPACT OF SEA-TAC IN KING COUNTY IS ESTIMATED TO BE 37,000 JOBS, $900 MILLION IN PAYROLL AND $2.2 BILLION IN ANNUAL BUSINESS ACTIVITY.

SECOND, THE PORT OF SEATTLE MARKETS ITSELF EXTENSIVELY.

MARKETING: THE PORT IS AGGRESSIVE IN ITS EFFORTS TO ATTRACT INTERNATIONAL CARGO. WE MARKET OURSELVES AS THE GATEWAY WHICH IS CLOSER TO PACIFIC ASIA THAN ANY OTHER U.S. AIR OR SEA PORT. WE MARKET OUR LABOR PRODUCTIVITY. LONGSHORE AND TEAMSTER SERVICES PLAY A KEY ROLE IN ATTRACTING CARGO. WE MARKET OUR UNIQUE INTERMODAL TRANSPORTATION SERVICES AND A DIVERSITY OF PROGRAMS AND FACILITIES UNIQUE AMONG U.S. PORTS. WE ALSO MARKET OUR AREA AS A DESTINATION POINT FOR TOURISTS FROM ABROAD AND FROM WITHIN THE UNITED STATES AND AS A DESIRABLE LOCALE FOR DOING BUSINESSES.

THIRD, THE PORT OF SEATTLE HAS SOME UNIQUE PROGRAMS AND SERVICES WHICH LURE TRADE OUR WAY.

PROGRAMS AND SERVICES: AS I MENTIONED, IT IS THE GATEWAY CONCEPT, WITH ITS ATTENDANT INTERMODAL SERVICES, WHICH SET OUR PORT APART FROM OTHERS.

WE HAVE DEVELOPED A TRUCK CONTRACT PROGRAM WHICH DELIVERS LESS-THAN-TRUCKLOAD FREIGHT AT THE LOWEST RATES TO 45,000 DIFFERENT U.S. DESTINATIONS AND 1,100 CANADIAN DESTINATIONS.

THE PORT PREPAYS FREIGHT CHARGES TO ELIMINATE DELAYS. A RAPID DISTRIBUTION SERVICE HAS BEEN DEVELOPED WHICH SORTS AND SHIPS GOODS WITHIN A DAY OR TWO TO HUNDREDS OF LOCATIONS.

WE ALSO HAVE A COMPUTERIZED DOCUMENTATION SYSTEM TO TRACK SHIPMENTS AND AN INLAND RAIL TRACING SYSTEM TO TRACK INDIVIDUAL CONTAINERS.

THE PORT IN CONJUNCTION WITH U.S. CUSTOMS, HAS DEVELOPED A COMPUTERIZED MANIFEST PRE-CLEARANCE SYSTEM WHICH SPEEDS CARGO ON ITS WAY. BURLINGTON NORTHERN AND UNION PACIFIC RAILROADS FEATURE DOUBLE-STACK CONTAINER TRAINS AND NEW EFFICIENCIES IN CARGO MOVEMENT, AS WELL AS EXCEPTIONALLY GOOD RATES FOR BACK-HAUL EXPORT CARGO. THE PORT OF SEATTLE IS THE ONLY MAJOR PORT ON THE WEST COAST TO OWN AND OPERATE ITS OWN WAREHOUSING AND DISTRIBUTION SYSTEM--MORE THAN 1.25 MILLION SQUARE FEET, WHICH INCLUDES JOBS IN RE-PACKAGING AND SORTING OF SOME GOODS, SUCH AS TOYS.

THE PORT OF SEATTLE IS UNIQUE IN ITS CLOSE ASSOCIATION WITH ALL PARTIES IN THE SHIPPING PROCESS: STEAMSHIP, RAIL AND TRUCK LINES, FREIGHT FORWARDERS, CUSTOMHOUSE BROKERS, CUSTOMS, STEVEDORE COMPANIES, AND LABOR.

ON THE AIR SIDE, THE PORT WORKS CLOSELY WITH AIRLINES TO FACILITATE PASSENGER AND CARGO MOVEMENTS. STATE-OF-THE-ART FACILITIES INCLUDE IMPROVEMENTS WHEN TRAFFIC NECESSITATES THEM, SUCH AS THE CURRENT $21 MILLION EXPANSION OF THE MAIN TERMINAL.

INTERNATIONAL ACCOMMODATIONS PROVIDE MULTI-LANGUAGE SERVICES IN THE TRANSIT SYSTEM, BAGGAGE CLAIM AND TOURIST AREA. AN "OPERATION WELCOME" PROGRAM GREETS INTERNATIONAL VISITORS IN TWENTY LANGUAGES.

THE PORT IS IN ITS THIRD YEAR OF AN INTENSIVE FIVE-YEAR TOURISM DEVELOPMENT PROGRAM, IN CONJUNCTION WITH THE COUNTY TOURIST BUREAU AND AIRLINES, TO PROMOTE THE NORTHWEST ABROAD, PARTICULARLY JAPAN AND NORTHERN EUROPE. IN 1984 TOURISTS CONTRIBUTED ABOUT $900 MILLION TO KING COUNTY'S ECONOMY, BECOMING OUR SECOND LARGEST INDUSTRY.

THE TYPES OF JOBS GENERATED BY PORT ACTIVITIES ARE SHIP OPERATORS AND AGENTS, TERMINAL OPERATORS, LONGSHORE AND TEAMSTER LABOR, AS WELL AS ELECTRICAL, MECHANICAL AND MANY

OTHER CRAFT INDUSTRY WORKERS, FREIGHT FORWARDERS, PILOTS, TUG AND BARGE OPERATORS, RAILROAD EMPLOYEES, CUSTOMS AGENTS, CONTAINER LEASING AND REPAIR, LEGAL AND INSURANCE SERVICES, TRADE PROMOTION, MANUFACTURING AND WHOLESALE FIRMS, COMMERCIAL FISHING AND FISH PROCESSING, BAGGAGE HANDLERS, COMMUNICATIONS EQUIPMENT REPAIR, JANITORIAL SERVICES, FOOD SERVICE WORKERS, BUS DRIVERS, BANK EMPLOYEES, RE-PACKAGING AND ASSEMBLY WORKERS, HOTEL, MOTEL AND ENTERTAINMENT ENTERPRISES, CAR RENTAL AGENCIES, AIR FREIGHT AND AIR MAIL WORKERS, RETAIL MERCHANTS, AND ON AND ON.

LEST YOU THINK THAT ALL I AM MENTIONING TO YOU INVOLVES IMPORTS, LET ME TALK A LITTLE ABOUT THE IMPORTANCE OF EXPORTS TO OUR PORT AND OUR STATE. WASHINGTON STATE IS MORE DEPENDENT ON EXPORTS THAN ANY OTHER STATE. WE HAVE TREMENDOUS AGRICULTURAL EXPORTS--WHEAT AND FRUIT IN PARTICULAR. WE EXPORT SUBSTANTIAL QUANTITIES OF FOREST PRODUCTS. WE HAVE SEVERAL GROWING TECHNOLOGY-INTENSIVE COMPANIES, LIKE MICROSOFT AND FLUKE, THAT AGGRESSIVELY EXPORT. AND AS YOU ALL KNOW, WE EXPORT MORE THAN A FEW BOEING AIRPLANES AND AIRPLANE PARTS.

WHILE OUR PORT DOES EXPORT THE WASHINGTON STATE PRODUCTS I MENTIONED, WE ALSO EXPORT MANY PRODUCTS FROM THROUGHOUT THE UNITED STATES. ONE OF OUR TOP EXPORT ITEMS IS HIDES FROM THE

NORTHWEST. WE EXPORT SUBSTANTIAL QUANTITIES OF COTTON FROM SOME OF THE STATES WHICH, IRONICALLY, SUPPORT INCREASED TEXTILE AND APPAREL TRADE RESTRICTIONS.

AS THE LARGEST EXPORTING PORT FOR CONTAINERIZED EXPORTS TO PACIFIC ASIA, WE CARE A LOT ABOUT MAINTAINING A STRONG INTERNATIONAL TRADING SYSTEM. A STRONG INTERNATIONAL TRADING SYSTEM IS VITAL TO THE PORT OF SEATTLE, THE STATE OF WASHINGTON, AND THE UNITED STATES.

I WANT TO EMPHASIZE, HOWEVER, THAT WE DO NOT JUST CONCENTRATE ON OUR OWN INTERESTS. WE ARE AWARE OF THE IMPACT OF TRADE ON OTHER PARTS OF THE COUNTRY. WE ARE AWARE OF DIFFERING VIEWS ON THOSE IMPACTS. WE DO WANT TO MAKE SURE, HOWEVER, THAT OTHER PARTS OF THE COUNTRY RECOGNIZE THAT CUTTING OFF IMPORTS IS NOT THE ANSWER TO OUR COMPETITIVE PROBLEMS. ADDITIONAL IMPORT RESTRICTIONS WOULD IMPOSE SUBSTANTIAL COSTS ON OUR ECONOMY--IN TERMS OF LOST JOBS, LOST BUSINESS REVENUES, AND INCREASED COSTS TO CONSUMERS. BARRIERS ON IMPORTS ALSO LEAD TO REDUCTIONS IN EXPORTS.

INCREASED PROTECTIONISM COULD DO MORE TO WIPE OUT JOBS GENERATED BY THE PORT OF SEATTLE THAN ALMOST ANY OTHER ACTION OUR GOVERNMENT COULD TAKE.

FOR EXAMPLE, WE HAVE A RAPIDLY EXPANDING FASHION SPORTSWEAR INDUSTRY IN THE SEATTLE AREA. AT THE MOMENT, IN FACT, FIRMS FROM BRAZIL, MEXICO AND HONG KONG ARE LOOKING AT MOVING HERE. THIS INDUSTRY CONTRIBUTES THOUSANDS OF JOBS AND MILLIONS OF DOLLARS OF REVENUES TO OUR ECONOMY. THIS INDUSTRY DEPENDS, AS MANY OTHERS DO PARTIALLY ON IMPORTED MERCHANDISE. FURTHER PROTECTION OF THE DOMESTIC TEXTILE INDUSTRY COULD CRIPPLE THIS GROWTH INDUSTRY.

IT IS TRUE THAT WE ARE, IN A SENSE, ONLY THE BEACHHEAD IN ANY TRADE WAR DIRECTED AT ASIA. LIKE ALL WARS, THE IMPACT WOULD NOT BE RESTRICTED TO THE FRONT LINES. THE ENTIRE COUNTRY WOULD SUFFER FROM RETALIATIONS AGAINST INCREASED RESTRICTIONS ON TRADE, AND OUR COMPETITIVE TROUBLES WILL BE COMPOUNDED OVER THE LONG RUN. WE HOPE THAT OTHER METHODS, INCLUDING TOUGH NEGOTIATIONS ON A MARKET-BY-MARKET OR PRODUCT-BY-PRODUCT BASIS, WILL HELP SOLVE OUR TRADE IMBALANCE.

I WOULD LIKE TO SHIFT GEARS AND SAY A FEW WORDS ABOUT A COUPLE OF ADDITIONAL MATTERS RELATED TO THE INTERESTS OF THIS COMMITTEE. TEN YEARS AGO, ONE OF YOUR FORMER COLLEAGUES, A GREAT SENATOR FROM THE STATE OF WASHINGTON, WORKED TO RECAPTURE U.S. COASTAL FISHING FOR U.S. FISHERMEN. THE MAGNUSON AMENDMENT THAT RESERVED COASTAL FISHING FOR U.S. INTERESTS REVITALIZED SOME OF OUR FISHING INDUSTRY.

FISHING IS NOW A GROWTH INDUSTRY FOR WASHINGTON STATE. MUCH OF THE ALASKAN FISHING FLEET IS HOME-PORTED IN WASHINGTON STATE. THE PORT OF SEATTLE IS EMBARKING THIS YEAR ON A $13 MILLION RENOVATION TO OUR FISHERMEN'S TERMINAL, WHERE SEVEN HUNDRED BOATS NOW FIND MOORAGE, AND WHERE FACTORY TRAWLERS AND PROCESSORS WILL BE ACCOMMODATED.

WE SUPPLY THIS FLEET WITH GOODS AND SERVICES. WE ARE ALSO HOME TO MANY OF THE FISH PROCESSING AND MARKETING COMPANIES CREATED BY THIS INCREASED SUPPLY OF SEA FOOD. MUCH OF THE PROCESSED FISH IS EXPORTED TO OUR ASIAN TRADING PARTNERS. ESTIMATED REVENUES TO OUR AREA FROM FISHING AND PROCESSING ARE AROUND $2 BILLION. THE PORT OF SEATTLE URGES YOU TO CONTINUE TO SUPPORT THIS GROWING AND VITAL U.S. INDUSTRY.

ONE OTHER AREA I WILL ADDRESS TODAY IS THE U.S. PASSENGER CRUISE SHIP INDUSTRY. THIS IS AN AREA WHERE SOMETHING NEEDS TO BE DONE TO CAPTURE OPPORTUNITIES WHICH ARE NOW FLOWING OUT OF THE COUNTRY. MODIFICATIONS TO U.S. LAWS COULD GENERATE THOUSANDS OF JOBS AND MILLIONS OF DOLLARS IN REVENUE.

ALMOST ALL OF THE CRUISE SHIP BUSINESS FROM HERE TO ALASKA TAKES PLACE IN VANCOUVER, B.C. WE PRESENTLY HAVE ONE HOME PORTED VESSEL WITH ELEVEN SAILINGS TO ALASKA. THIS IS NOT BECAUSE THERE IS NO DEMAND FOR ALASKA CRUISES. ON THE CONTRARY, THERE

IS A LARGE MARKET FOR ALASKAN CRUISES. THIS YEAR, WELL OVER 200 NORTHBOUND CRUISES WILL BE MADE TO ALASKA FROM VANCOUVER, REPRESENTING 280,000 PASSENGERS AND $300,000,000 TO THE ECONOMY. A MAJORITY OF THOSE PASSENGERS ARRIVE AT SEA-TAC AIRPORT AND ARE BUSSED NORTH.

ON A RECENT BUSY WEEKEND IN VANCOUVER, 280 LONGSHOREMEN WERE PROVIDED WITH WORK.

THESE SHIPS SAIL OUT OF VANCOUVER RATHER THAN SEATTLE BECAUSE OF U.S. CABOTAGE LAWS--SPECIFICALLY, THE PASSENGER SERVICE ACT OF 1886, WHICH STATES THAT:

> NO FOREIGN VESSEL SHALL TRANSPORT PASSENGERS BETWEEN PORTS OR PLACES IN THE UNITED STATES, EITHER DIRECTLY OR BY WAY OF FOREIGN PORT.

THIS PROHIBITION HAS BEEN INTERPRETED BY THE U.S. CUSTOMS SERVICE THROUGH REGULATIONS TO PERMIT FOREIGN FLAG CRUISE VESSELS TO MAKE U.S. PORT CALLS ONLY IF THEY ARE ROUND TRIP VOYAGES. THIS IS WHY WE HAVE ONE CRUISE SHIP IN SEATTLE THIS SUMMER.

WHILE THIS PROVISION WAS INTENDED TO PROTECT JOBS FOR U.S. WORKERS, IT IS ONLY PROTECTING A HANDFUL OF JOBS AT A GREAT COST TO MANY OTHER WORKERS, TO MANY BUSINESSES, AND TO THE U.S. ECONOMY.

LET ME SHARE WITH YOU A FEW FACTS AND FIGURES FROM A RECENT INDEPENDENT STUDY PREPARED FOR THE SEATTLE CHAMBER OF COMMERCE:

- ° EACH VISIT BY A CRUISE VESSEL TO ITS PORT OF EMBARKATION OR DEBARKATION IS ESTIMATED TO GENERATE ECONOMIC IMPACTS OF BETWEEN $370,000 TO $625,000; ABOUT $575 TO $970 PER PASSENGER.

- ° THE BASING OF A SINGLE CRUISE VESSEL OVER A TYPICAL SUMMER IN SEATTLE IS CONSERVATIVELY ESTIMATED TO LEAD TO $5 TO $10 MILLION IN PRIMARY SPENDING ECONOMIC IMPACT, 100 TO 150 NEW JOBS IN THE REGION, AND $400,000 TO $600,000 IN NEW SALES TAX RECEIPTS: AND

- ° AT LEAST 50% OF THESE NEW JOBS WOULD BE IN INDUSTRIES DIRECTLY SERVING THE VESSELS, SUCH AS LONGSHORE JOBS.

SEGMENTS OF MARITIME LABOR AND SOME SEGMENTS OF THE CARGO-CARRYING INDUSTRY STRONGLY OPPOSE LEGISLATIVE MODIFICATIONS NECESSARY TO INCREASE DOMESTIC CRUISE TRAFFIC. GOOD LABOR AND MARITIME BUSINESS RELATIONS ARE EXTREMELY IMPORTANT TO THE PORT OF SEATTLE. ACCORDINGLY, WE ARE NOT

TAKING A LEAD IN RECOMMENDING CHANGES AT THIS TIME. HOWEVER, THE PORT OF SEATTLE AND MANY OTHERS IN THIS COUNTRY HOPE THAT YOU THINK OF THE LOST JOB OPPORTUNITIES IN THE CRUISE INDUSTRY WHEN YOU CONSIDER PUBLIC POLICY ACTIONS DESIGNED TO GENERATE JOBS.

WE AT THE PORT OF SEATTLE ARE EVER-COGNIZANT OF OUR ROLE AND OUR CHARGE: TO STIMULATE ECONOMIC ACTIVITY IN THE FORM OF JOBS AND REVENUES. WE BELIEVE THAT WE ARE DOING JUST THAT BY AN AGGRESSIVE PROGRAM OF FACILITIES DEVELOPMENT, TARGETED MARKETING AND INTERMODAL AND COMMERCIAL SERVICES, COMBINED WITH PLANNING AHEAD FOR FUTURE GROWTH, CHANGES IN TECHNOLOGY, COMPOSITION OF THE TRADING NETWORK AND TYPES OF CARGOES, AND EXPANDED DEVELOPMENT OF THE AREA AS A MULTI-FACETED TRADE AND TOURIST CENTER.

WE ARE PLEASED TO BE REPRESENTED ON THIS PANEL, TO BRING OUR ENDEAVORS INTO FOCUS FOR YOU TODAY. WE ARE ANXIOUS FOR YOU TO KNOW THAT WE CHAMPION IDENTICAL GOALS: ECONOMIC VITALITY, INCREASED EMPLOYMENT AND LUSTY REVENUE FLOWS.

SENATOR SIMON, LET ME CONCLUDE WITH A FEW COMMENTS ON S. 777:

SINCE SENATE BILL 777 HAS NOT BEEN CONSIDERED BY THE SEATTLE PORT COMMISSION, I AM NOT IN A POSITION TO COMMENT ON S. 777 ON BEHALF OF THE PORT OF SEATTLE OR MY FELLOW COMMISSIONERS. HOWEVER, I WOULD LIKE TO SHARE WITH YOU A FEW OF MY THOUGHTS ON A COUPLE OF PROVISIONS IN THIS BILL OF PARTICULAR INTEREST TO ME AND THE PORT OF SEATTLE.

I AM PARTICULARLY PLEASED WITH YOUR EMPHASIS IN S. 777 ON WORKER RETAINING AND EDUCATION. IT IS INDISPUTABLE THAT STRONG FOREIGN COMPETITION HAS DISPLACED AMERICAN WORKERS AND AFFECTED U.S. INDUSTRIES.

OUR ELECTED LEADERSHIP IN THIS COUNTRY HAS NO SHORTAGE OF IDEAS ABOUT PUBLIC POLICIES DESIGNED TO ADDRESS THE IMPLICATIONS OF FOREIGN COMPETITION. THE WORST OF THESE IDEAS, IN MY OPINION, CENTER AROUND PROTECTING WORKERS AND INDUSTRIES FROM INTERNATIONAL COMPETITION. SOME OF THE BEST IDEAS CONFRONT THE REALITIES OF OUR GLOBAL ENVIRONMENT AND SEEK TO TRULY ENHANCE OUR COMPETITIVE POSTURE.

CRUCIAL TO ENHANCED COMPETITIVENESS IS RETRAINING WORKERS WITH MARKETABLE AND PRODUCTIVE SKILLS THAT OPEN DOORS OF OPPORTUNITY. HAND IN HAND WITH RETRAINING IS EDUCATION. I AGREE WITH YOU, SENATOR SIMON, THAT EDUCATION IS THE KEY TO OUR COUNTRY'S FUTURE, AND I AM HEARTENED THAT IT IS A CORNERSTONE OF SENATE BILL 777.

THANK YOU FOR TAKING YOUR INVALUABLE TIME TO CONCENTRATE ON THESE ISSUES TODAY.

Senator **Adams**. Thank you, Ms. Davis. This is in many ways one of the very important gatherings of a group of people who are the motor-generating parts of jobs within the State. And I certainly agree with you, we are not going to have a protectionist bill. We cannot live with that. We have got to break down barriers, which we will be attempting to do. But we go to the other problem, which I would like to have any one of you that wants to start and discuss it. What we are seeing this morning, we have got four industries here, two that have employment drastically dropping and two that have employment rising at some rate, maybe not extensively, but very good paying jobs. So, we are looking at the State of Washington and the four you could expand into 100 industries. But these four represent two sides of this problem.

We have a great deal of flexibility in management or in those that are running businesses in their ability to move in or out of a market or move from one area to the other. We have seen demonstrated in the early panels a great lack of flexibity of the middle class working people and all those connected with them to have any flexibility. So that as we are going through this transition, two of the industries here, the workers that are in them, are having tremendous transition problems. Two of them that are working rather well are having the ability to bring people into the employment market. I would like to have any of you address that who want to.

Mr. Bowen, we might start with you because you have a great deal of skill in this area, I know, and then I would like anyone else to comment on it. We are producing a flow into our cities of a lot of people, and we have a lot of infrastructures elsewhere, and we are not handling them very well in the cities. We are crowding them, and we are producing homeless and a lot of other problems. And yet we have other communities—and I know, Dean, you are familiar with them, where they run from Aberdeen, and I know, Mr. Daly, you are, where you go over to, as I mentioned before, the smaller communities in eastern Washington.

What do we do about this imbalance? We do not expect this to be perfect, but those of us in Government have a responsibility, but that responsibity goes to meeting what is going on in the real world that is changing out there. What do you suggest that we try to do? And I want each one of you to chime in on this, because this is one of our problems.

Mr. **Bowen**. Senator, I think that one of the things that the Boeing Company needs to do is to evaluate our presence in the Puget Sound corridor and see if in terms of some of the offload potential that we have it can be perhaps redistributed to some of these outlying areas. A classic example of a very successful story on that score would be down in Shelton where we have an offset program going with a small machine shop down there that has been in existence for 45 years. He probably is the second biggest employer in that particular region now, with the timber industry slump.

So, there is capability out there. We need to go out and search for it. We need to perhaps spread some of this tremendous workload that we have got to other regions of the State. And that is what we are looking at.

Senator **Adams**. Dean Thorud.

Dean Thorud. Senator, I would just like to make a comment that the official statistics show that employment in the timber economy has rather stabilized. It has been at fifty-three to fifty-four thousand. In fact, it might have gone up a little bit here this past year. But it has been at fifty-three to fifty-four thousand people the last two to three years. And it is very dangerous to generalize. I am not saying that it would not go down again. But there does appear to be some stability there now.

I think the problem we are dealing with is the other 20,000 people that used to work in the forest products industry, for whom there are no longer positions, and that is a residual problem that we find in the depressed communities and the timber-dependent communities. And I do not have a ready answer to that. And perhaps the bill that we have been discussing today would be a partial solution, plus other similar efforts.

In terms of how the Federal Government can help the forest products industry, there are probably several ways. Policies that will encourage the continued demand for wood as a building material, for example. Housing is the primary market for wood products. Policies that would encourage that would be very healthy for our State economy as well as other timber economies.

I think the Federal Government can assist in the international marketplace because, as I indicated and as I know you are well aware, the international markets are becoming increasingly significant to the forest products industry, particularly in export states such as ours, as is true of agriculture. And I think there is an important Federal role there because of the nature of relationship between countries.

Senator **Adams**. Where is your most important competition coming in the Pacific Rim countries to the Washington and Oregon particular quality timber products?

Dean Thorud. Our neighbor to the north. That is part of the Pacific Rim. Canada is a principal producer. But there are other countries that are bringing forests on line, Chile and New Zealand, for example, and they are going to be in that international marketplace in a bigger way in the future. Potentially even the Soviet Union will be competing with us. They have an enormous forest resource. And if they make a policy decision to start harvesting that resource in Siberia, they could be another significant competitor.

Senator **Adams**. You are going to let me know in advance on that, will you not?

Dean Thorud. Yes, we will drop you a note.

Senator **Adams**. People have asked me whether or not I should get involved in U.S.-Soviet relations, and I have been reluctant because I think there are too many probably involved already. But I have been tremendously worried about the economic impacts on the State in fish, timber, and the whole agricultural area of the development and entry into the market of a planned economy of enormous size into the North Pacific. So, I am debating on that. So, write me about it as to the degree.

And on Airbus Industry, we will try to hold that in so we can combine all the countries that are subsidizing, because we have the fight, as you well know. And that is in the trade bill. And I think we can hold that for fairness. But, please, that was just something that you can put in my ear at a later time. Please, I did not mean to cut you off, but this has got to be where we work on this problem. And you might throw in also, if you would like—do you think this should best be handled at the State government and local government level or at the Federal Government level?

That is the second question. Those are the two that I had. Please comment on either one. Mr. Daly.

Mr. DALY. Senator, thank you. I am not sure it can be resolved at any level without the cooperation of the other two. Frankly, I think it is a Federal, State, and local government problem. As you know, it is difficult to characterize Washington agriculture because of our diversity. But, on the other hand, that is also our strength. About 80 percent of our production is geared toward the export market. And the single most important thing to this State is access to those markets. We do not have any concern that we cannot produce competitively. We can produce competitively with any other country, whether it be Canada or Australia in terms of wheat, New Zealand in terms of apples, or Korea, which is now growing apples for the export market. That is not our fear. Our fear is having the access to those markets. And two things that can become an impediment to that, one is protectionism certainly. That rides high on our list of concerns. And the other is the economics, the ability for farmers to have credit available at a cost that they can afford. Hence, my comments about the farm credit system right now. That seems to be in a rather severe state of disarray.

But we firmly feel that we do have the opportunity here to compete on an international basis and fill those market niches that Washington State is so good at doing. We are much more diversified than the Midwestern States that primarily depend on wheat, corn, and soy beans. We have 40 commodities in this State that are produced in commercial quantities.

Ms. DAVIS. I think the Port can contribute and does by making this flow of trade, the export of the commodities that we produce here and the importation of those that are useful here in this country, both easier to have happen, to facilitate it, and less expensive. And to draw them through our area means that we profit from that flow of cargo. And we do that by building state-of-the-art facilities, by making those services less expensive than in other areas, by marketing, by providing targeted marketing that the products need, and providing those services that are needed to get cargo from place to place.

I do not think that we want to forget, however, that the local taxpayers through all these years have been contributing in this effort because it is the local taxpayers that fund the facilities that we build. And we still have a tax basis for what we do here in our ports in the State of Washington.

So, in a sense, everybody has contributed to this generation of employment here and still is doing so. The trick of course is always to extract taxes from the taxpayer without disturbing the voter, and we all face that from time to time (laughter), to explain that those taxes are being well used to do what we are talking about today.

In terms of the trade bill, I think from our standpoint that relieving export impediments is a very positive and important thing. Retraining is an element that is part of that bill; that is also very important as to what the subject is about today. Education, generally to reeducate or to train people in those areas which are the coming kinds of jobs that we will see, and certainly the intellectual property rights elements, and those are very beneficial in the bills that are coming forward.

In terms of our negotiation about imports, we feel that we need tough negotiations, not restrictions, but tough negotiations on a market-by-market or product-by-product basis, rather than a flat across-the-board percentage cutoff at any point, because that hits right at the heart of our trading partners here on the West Coast and particularly Seattle.

The Federal deficit is another whole large subject that also impinges that.

Senator ADAMS. I carefully stayed away from that. As a former budget chairman, I find that discussion of Federal finances generally——

Ms. DAVIS. I was not going to discuss them.

Senator ADAMS. Good.

Ms. DAVIS. You had mentioned it as a factor.

Senator ADAMS. Not that it is the most important problem, but we are focusing on the State of Washington, and in the course of this I find in international trade that the larger companies moving through the Port—whether it is the Boeing Company, whether it is the Weyerhaeuser Company and so on—have rather extensive abilities to market abroad.

What do all of you think of export trading companies? Are we too late by 200 years to enter that field? I find that in the world of international trade that the foreign trading companies—what I am concerned about is that if we do not do something in that area, they are going to come over and do it for us. But maybe I am wrong on that. If I am wrong, please tell me.

Ms. DAVIS. There has been an effort in the State several times before to enact bills that would allow that, and there has been opposition of course from people in the business who are in private enterprise, freight forwarders and those companies that actually do facilitate trade on the private basis and do very well doing it. But aside from that opposition, we also do not have the kind of centralized governments that foster and are able to produce an exporting trading company successfully. And it is extraordinarily complex, I think, in our economy to have that happen. It is not impossible, but it may or may not work as well as it has in those countries where we have seen it.

Senator ADAMS. I thank all of you very much. There will be more of this, but you have been very helpful to all of us, and we appreciate it. Thank you.

The fourth and last panel for today is the panel on economic development and employment. This will be Pete Kerwien, Area Market Development Manager of Washington Water Power Company; Alana Probst, Executive Director of Oregon Marketplace, Eugene, Oregon; Fred Dracobly, Willapa Aquaculture Council; Isiah Turner, Commissioner, Employment Security Department;

and we have allowed to enter in this panel Mr. Jamie Lindsay, who is a United Airlines pilot who, at the end of the panel, will make a comment regarding the flow of air traffic by United through this area, the so-called Tokyo-route case. We will start with Ms. Probst.

STATEMENTS OF ALANA PROBST, EXECUTIVE DIRECTOR, OREGON MARKET-PLACE; PETE KERWIEN, AREA MARKET DEVELOPMENT MANAGER; FRED DRACOBLY, PRESIDENT, WILLAPA AQUACULTURE COUNCIL; ISIAH TURNER, COMMISSIONER, WASHINGTON EMPLOYMENT SECURITY DEPARTMENT; AND JAMIE LINDSAY, VICE CHAIRMAN, UNITED AIRLINES MASTER EXECUTIVE COUNCIL

Ms. Probst. Thank you, Senator, for asking me to participate in this hearing. My name is Alana Probst, and I am the Executive Director of the Oregon Marketplace Program in Oregon. It is a statewide program. What we do is we find out what businesses are buying or will be buying, and try and connect them with local suppliers in order to create new jobs and to diversify the economic base. We are in our fourth year of running this program. And the reason we are doing it is because we have found that looking at all of our resources, one that we need to exploit is market demand.

I would like to comment on bill 777, and I would like to tell you a little bit about our program, and I have brought some slides which describe the project that we have been running. In our area of Oregon we were one of the hardest hit counties in the country in population loss. We lost more people in our area than we could afford to. We lost our talent pool. We lost our labor pool. And we gained all the things that go along with that, the bankruptcies, the foreclosures, and the other devastating parts of being dependent on an industry that is in decline, which is the timber industry, or has been in decline, as we have heard earlier.

It is a difficult place to come out of that, and we need a number of programs to be able to do it. I believe that this bill is only one part of what is needed. I think that this bill does offer us something that would have been invaluable, and that is to not have lost that huge talent pool from our community. If we had this bill in place at this time, as we begin to rebuild and to diversify our industrial base, we would have those people there to pull on, to help us create new businesses and to work in those businesses and to provide all the other things that are needed in a livable community.

Unfortunately, most of the economic development activity that has been going on in the State of Oregon is called smokestack chasing, and we have not been very successful in the area that I live in at gaining those kinds of businesses. For that, it has cost us a lot of money, and we have begun to realize that it is necessary to look at other innovative ways to create jobs. We have also seen that small businesses create jobs. And so we began to look at how we could assist small businesses. We found that most businesses needed three things. They needed technical assistance in some sort of managerial training. They needed inexpensive capital, loan financing, and they needed new markets.

In examining the new markets that were available to our business community, we found that we were losing markets that were right in our own backyard. Many times businesses buy products outside of the area that they could find locally. They buy them for higher prices. They pay warehousing on them. They pay freight on them. And these are costly to those businesses and we lose the jobs that go along with buying those products from a long distance away.

The Oregon Marketplace Program is not a protectionist program. We try and beat the competition. What we provide is information about how to do that, what businesses are available in our community that can already produce those goods and services we provide to the businesses that are making those purchases. And then when we cannot find a business that produces that good or service, we create it by getting that information out to entrepreneurs that want to either diversify their business or start a new business.

In the year that we tested this program, we ran a very small program; $35,000 was the cost for the program to run in that year. We made 13 contracts between businesses that had been buying products outside the area. The total value of those contracts was $2 million. That had another effect we could see; about 1.5 in capital investments that were made to buy new equipment and plans to diversify an existing business to be able to take on these new contracts. We saw $200,000 in savings made to the businesses that had previously been buying outside of the area at a higher price or paying freight for that product to come into the area. And we saw that a hundred new jobs were created just with those 13 contracts. We had a 5,700 percent return on our investment in that project. Because of that, the Oregon Legislature began to look at this project and examine the potential for it to work in the rest of the State.

And in this year, we have just opened 12 new offices in different regions of the State. We are finding lots of results from that activity, and I would at this time like to show you the slides, if you will allow me, of what we did in our pilot study.

(Slide) This is an abbreviated slide show on the work that we did while we were running the program during that first year.

(Slide) This is the area that the study was done in. It is Eugene, Oregon. It is about a hundred thousand in population and extremely dependent on the timber industry.

(Slide) This is one of the companies that I visited when I began working on this project. It is a television station. I went in and met with the general manager and asked her if there was anything that she was buying outside of the State that she would be interested in finding a local supplier for. She told me that there was not anything, that she enjoyed being able to use our local suppliers. There was one purchase that she was going to be making in the next few weeks, and it was a form that they use in the news departments. And she told me there was only one place to buy it in the country, and that is in California.

(Slide) She showed me the form. And I looked at it and not knowing anything about the printing industry, I saw a form with two lines on it, and I could not figure out why we could not make it in Oregon (laughter). I took the form and asked her if there was any way that I could look for local suppliers for her if she would give me a chance. She said that she would, but she needed the product in two weeks. So, she gave me the description on it. She said there was not any way that we could beat the price of this big California company because they did such volume in this area. So, I took these forms to all the printers in our county and I asked them if any of them could print this form. I mean, there was different colored paper and two lines on it. Maybe somebody could do it. And what I found is that we had dozens of printers that could do this job, that what was exceptional was that the printer that she finally selected, the first order was for $5,400 worth of these forms. She saved $1,500 on that order. So, not only could we do it, but we could do it better and we could do it cheaper. And I must tell you that if she stood on her front porch, she could throw a stone on the printer that had actually got the contract.

(Slide) This is the company.

(Slide) And they can print forms with many lines in them. What happened was there was a little newspaper story about this, and we had two other television stations in this town. What they read about was the fact that Shelton-Turnbull, this printer, was not printing forms for KVAL and had made a savings on them, $1,500. So, they called up and wanted to participate, too. So, that meant that KMTR and KEZI all changed over to this printer. Well, it was a new opportunity for this printer. This printer could see the market and of course took advantage of it. If they could beat the California company, there was not any reason why they just had to limit themselves to working in our county. So, I am sure that they have been selling forms up here, too.

(Slide) This is a company in a small town right outside Eugene, called Cottage Grove. That is Laura Stein, the president of the company. It is Burly Design. They make those bike trailers. They had been buying the wheels for those trailers in Taiwan. They were very happy with the price they were getting for these wheels, but they were disappointed in the fact that there was always dock delays and problems that they could not cope with. So, therefore they would have to make rush orders that were very costly to them from suppliers in the State. She contacted me because she wanted to find out if they could find a local supplier; and if this supplier cost them more, they were willing to pay it.

(Slide) Here are a few more shots of the trailers and the wheels.

(Slide) We bid this contract out, and this gentleman won the contract, Gary Hale Bicycles, and he is the inventor of the bicycle he was on. We were very pleased that he got this contract. He designs these bicycles for the disabled. They are hand propelled. There were very high R and D costs in his work, and what he needed was regular cash flow into his company. By taking on this wheel contract, he was able to continue his work in the inventions of these bicycles that take a lot of time and money to create. What we also found was something that surprised us. This particular order that started this contract, which is now in its fourth year, started with a $7,000 order. Burly Design saved $14,000 on that order, and that was by buying from a local producer. And one of the things that we could see is that we had assumed by buying overseas, we would always be beaten in the price of labor. But in fact that is not true when you have a small company like Gary's and with different goals and the ability to produce those things without the freight costs.

(Slide) This is his shop. As I said, they are in the fourth year of production now with the two companies.

(Slide) Another small company started in a garage. They make self-inking rubber stamps. That is what they look like. They were buying the display card in Wisconsin because there was no printer, as far as they could find, on the West Coast that could make this particular kind of card. There is a special printing process with a chemical that will allow that bubble to adhere to the cardboard. They buy about $150,000 worth of these display cards annually. They had to fly them into Eugene. They wanted a local printer. We were able to talk to the local printers just by walking them through the Fred Meyer store to see how many products were made in this way and what an incredible market there was. It cost some for the equipment to go in for the printer. Koeky Printing won this contract. They were able to hire people. They are now the supplier on the West Coast providing this kind of work.

(Slide) This is at the press conference when they announced the contract. That is Chris Stangler in the grey sweater.

(Slide) This is another company in our area. They make airline meals. When I contacted them, they gave me a list of 40 items that they were looking for that they were not able to find local suppliers for. One of them was for what is called the further-processed chicken. And for those of you who do not know, that is just cooked chicken. We have a very large poultry industry, but we did not have anyone who was cooking chicken to the quantity that they needed. They bought a million dollars worth of this chicken annually.

(Slide) So, I went down to visit Ray Houley, who is the president of Willamette Poultry in a little town outside of Eugene, called Creswell, and I always like to point out Ray's chicken collection in the background there. But Ray was very interested in this opportunity; although he knew that Chef Francisco was buying chicken, he also knew that they were buying it in Arkansas and freighting it all the way into our area because he thought they were getting a better price and therefore they had not been able to approach companies locally. That in fact was not the case. And when I showed him the specifications, he spent some time thinking about it and decided to go for it. We got involved and used every resource that we had in the State. We used the industrial revenue bond programs. We used the Private Industries employment training program. We used all of our advisers on our boards, the county commissioners who could help us with some zoning things and some permit processing, on and on.

(Slide) Here are the chicken murder shots. These jobs are high-paying jobs that start eight to ten dollars an hour.

(Slide) This is at the beginning of the construction of the plant.

(Slide) This man was in charge of doing the hiring. They hired 80 people for the first shift in this particular project, and he was a little frightened because there had been plant closures in this area, too. You advertise for 80 people, and you might see 8,000. So, it was very fortunate that we could call on the Private Industries Council employment training program to actually help with doing the interviewing, the testing, and the training of all these new employees. And besides that, the company got some benefits, and the jobs went to the long-time unemployed. And, so, we all benefited from that.

(Slide) This is at the ribbon-cutting ceremony, and every mayor for many miles helped to cut the ribbon.

(Slide) This the past governor, Governor Atiyeh.

(Slide) The chair of my board.

(Slide) And you might recognize Congressman Weaver there and Congressman DeFazio right behind him. Everybody in this shot is eating further-processed chicken.

(Slide) It was an exciting day.

(Slide) For our work, they put out billboards across the State with our logo on it, saying, "We urge you to buy Oregon." And for that we got to work with a lot of other industries that we had not been working for before.

(Slide) This is Steve Paul in the white jacket. He is the band director for the University of Oregon marching band. He comes from Oklahoma. He could not believe when he got to Oregon that for nine out of ten football games there is rain, which means that his band was marching around in wet wool. So, he contacted us and asked us if we could find a uniform manufacturer that could produce weather-resistant materials, because there are over 200 marching bands in Oregon alone, and who knows how many in Washington that are marching around in wet wool, because no uniform manufacturer makes weather-resistant materials. And we knew that we did not have a manufacturer in our area that could do it. But we had all the skills. We had pattern makers. We had designers. We had manufacturers. We even had the materials.

(Slide) These three women won the contract and formed the joint venture. In the grey is Arlene Hayslip. She is the owner of the Green Pepper, which is one of the largest companies on the West Coast for weather-resistant materials. In the center is Trish Hodges, and she is the president of Camel Originals, and she manufactures clothing and guarantees the the seams ten years. And then Judith Harrison on the end is the president of Custom Designs, and she does all the designs for the opera and the ballet. By putting their talents together, which were available in our backyard, we got new uniforms, and they are weather resistant.

(Slide) This is at the unveiling. You can see that the cape is made actually like a tent so it can be zipped up with the band instrument underneath so that when they are sitting in the stands they will not get wet.

(Slide) The band was very pleased with the results of these uniforms. And this all comes through donations. These uniforms are paid for. They cost about $100,000 for the band that we had. And they wanted to help raise some of the funds. So, if you do not know, the University of Oregon teams are called the Ducks. And what the band wanted to do was sell duck calls at the game so that they could raise some money, three or four dollars apiece for these duck calls. So, they asked me if I could find them a local supplier of duck calls. So, I went out looking for one, but I could not find a duck call manufacturer. But I did find a world famous elk call manufacturer in Springfield, right down the road from us. And he told me that elk make about three or four different noises, and one of them sort of sounds like a duck (laughter). He could adapt the reed a bit, and it would really sound like a duck. I believed him. And then I took the duck call—it was just a wooden-stick looking like thing, and it sort of sounded like a duck—back to the band and let them look at it. And they thought it was fine. It sounded like a duck, but that was not what they wanted. What they really wanted was something that looked like a duck's beak so when you put it in your mouth, you actually looked like a duck (laughter). So, they sent me back out to look for a manufacturer of ducks' beaks. And I found a plastic manufacturer on the coast who could build a beak that the reed could go in, and we actually had this at the unveiling.

(Slide) And they were given out to all the dignitaries (laughter). You do not know these people, but they are all elected officials [laughter].

(Slide) The president of the university.

(Slide) Just outside of that, one of the other things is this band happened to be down at Disneyland. They were invited to participate in one of the parades at Disneyland. And they brought they duck calls. And just as they were ending the performance, this gentleman came running out from one of the offices and was very excited to talk to them because in fact Donald lives there and they thought for sure they could use about 70 or 80 million of those duck calls. So, you will see how rich our band gets very quickly.

(Slide) This is describing the multiplier effect of our pilot study. You can see at the bottom we started with the $35,000. You can see that we made almost $2 million on contracts, and that circulates around in the community. In our area they use a 2.5 multiplier effect, meaning that the dollar stays there about 2-1/2 times, if it is a manufacturing dollar, before it leaves. So, the actual result is estimated at about $4.6 million.

(Slide) The name of the program during the pilot study was called "Buy Oregon," but it sounded a little protectionist. So, we changed the name later. The State was very interested in it, as I said before, and that is how we came to House Bill 2232, which actually provided support to develop the program statewide. That is the last slide.

[The prepared statement of Ms. Probst follows:]

July 21, 1987
AP:PAUL SIMON HEARING ON SB 777/SEATTLE, WASHINGTON/JULY 27, 1987

THANK YOU FOR INVITING ME TO PARTICIPATE IN THIS HEARING. MY NAME IS ALANA PROBST. I AM THE EXECUTIVE DIRECTOR OF THE OREGON MARKETPLACE PROGRAM. THE OREGON MARKETPLACE IS AN ECONOMIC DEVELOPMENT PROGRAM THAT CREATES JOBS BY HELPING LOCAL BUSINESSES GET NEW CONTRACTS TO SUPPLY PRODUCTS THAT ARE BEING IMPORTED BUT CAN BE SUPPLIED BY LOCAL COMPANIES.

I WOULD LIKE TO COMMENT ON SENATOR SIMON'S GUARANTEED JOB OPPORTUNITY BILL, AND I WOULD LIKE TO DESCRIBE THE RESULTS WE HAVE ACHIEVED DURING THE PILOT STUDY PORTION OF THE OREGON MARKETPLACE PROGRAM.

JOB CREATION IS THE NUMBER ONE PRIORITY IN THE STATE OF OREGON AS IT IS ACROSS THE NATION WHERE COMMUNITIES HAVE EXPERIENCED THE DECLINE OF MAJOR INDUSTRIES ON WHICH THEY HAVE GROWN DEPENDANT. STRONG INITIATIVES ARE NEEDED TO DIVERSIFY OUR LOCAL ECONOMIES AND PREVENT THE FORCED MIGRATION OF UNEMPLOYED PEOPLE FROM THEIR HOMES AND COMMUNITIES. A COMMON ECONOMIC DEVELOPMENT STRATEGY IS ATTEMPTING TO LURE BUSINESSES FROM ONE COMMUNITY TO ANOTHER -- SOMETIMES CALLED SMOKESTACK CHASING. WE ARE SEEING THAT THIS "RAIDER" APPROACH IS MOST CERTAINLY AN INEFFECTIVE AND EXPENSIVE METHOD OF JOB CREATION. THIS METHOD PITS STATES AND REGIONS AGAINST EACH OTHER, AND, FOR MOST COMMUNITIES, THERE IS NO RETURN ON THEIR INVESTMENT.

NEW METHODS MUST BE AIMED AT STRENGTHENING BUSINESS COMMUNITIES FROM THE GROUND UP. WHILE WE ARE DOING THIS WE MUST KEEP OUR LABOR POOL, OUR HOMES, AND ENHANCE THE LIVABILITY OF OUR COMMUNITIES. SENATOR SIMON'S BILL GIVES US THIS OPPORTUNITY.

THE COUNTY IN WHICH I LIVE, LANE COUNTY, WAS ONE OF THE TEN HARDEST HIT COUNTIES IN THE COUNTRY IN POPULATION LOSS DURING THE 1980'S. THE TIMBER INDUSTRY FELL INTO DECLINE AND LEFT THOUSANDS WITHOUT JOBS WHO EVENTUALLY WERE FORCED TO LEAVE THE AREA TO FIND WORK. WE LOST A HUGE TALENT POOL AND, OF COURSE, WE WERE LEFT WITH ALL THE REMNANTS -- BANKRUPTCIES, FORECLOSURES, SECONDARY BUSINESS CLOSURES AND MORE. RECRUITING BUSINESSES TO OUR AREA COULD NOT WORK FOR US. IT WAS NECESSARY TO BEGIN DIVERSIFYING OUR ECONOMIC BASE AWAY FROM DEPENDANCE ON THE TIMBER INDUSTRY.

I WOULD LIKE TO TELL YOU ABOUT THE OREGON MARKETPLACE PROGRAM WHICH WAS IMPLEMENTED TO STRENGTHEN AND DIVERSIFY THE BUSINESS COMMUNITY. SMALL BUSINESSES CREATE MOST OF THE NEW PRIVATE SECTOR JOBS. SMALL BUSINESSES GENERALLY LACK THREE RESOURCES: 1)INEXPENSIVE CAPITAL, 2)TECHNICAL ASSISTANCE IN MANAGERIAL SKILLS, AND 3)NEW MARKETS. OUR TARGET WITH THIS PROGRAM WAS TO CREATE NEW MARKETS. WE FOUND THAT MANY BUSINESSES BUY PRODUCTS FROM GREAT DISTANCES BECAUSE OF A LACK OF AWARENESS ABOUT WHAT IS AVAILABLE LOCALLY. THEREFORE THEY PAY UNNECESSARY FREIGHT AND WAREHOUSING COSTS, AND MANY TIMES HIGHER PRICES ON GOODS AND

SERVICES THAT THEY COULD PURCHASE LOCALLY. IN ADDITION, A CRITICAL FACTOR IN JOB RETENTION AND GROWTH FOR A LOCAL SUPPLIER IS THE ABILITY TO RETAIN MONEY THAT WOULD OTHERWISE LEAK OUT OF THE LOCAL ECONOMY.

THE FOLLOWING SERIES OF SLIDES WILL ILLUSTRATE THE IMMENSE RESOURCE AVAILABLE IN OUR COMMUNITIES WHICH CAN BE TAPPED. DURING THE PILOT STUDY OF ONE YEAR, THE OREGON MARKETPLACE IDENTIFIED 13 NEW CONTRACTS FOR LOCAL BUSINESSES. THE VALUE OF THOSE CONTRACTS WAS $2 MILLION. SAVINGS TO COMPANIES PAYING UNNECESSARY FREIGHT OR HIGHER PRICES WAS $200,000. CAPITOL INVESTMENTS MADE FOR NEW PLANTS AND EQUIPMENT WAS $1.5 MILLION. 100 NEW JOBS WERE CREATED. THE TOTAL COST OF THE PROGRAM WAS $35,000 IN THAT PILOT YEAR. USING A MULTIPLIER EFFECT OF 2.5% FOR LANE COUNTY, WE ESTIMATED A 5700% RETURN ON OUR INVESTMENT.

SLIDES

THANK YOU FOR INVITING ME TO PARTICIPATE IN THIS HEARING. I DEEPLY APPRECIATE THE WORK YOU ARE DOING TO BRING MORE JOBS TO OUR COMMUNITIES.

Senator ADAMS. Thank you, Ms. Probst, very much. We wanted to be certain during the course of the hearings and as we do these around the country, we are gathering a record of what various States are doing and the manner in which they have handled their problems. We appreciate your testimony very much. Mr. Kerwein.

Mr. KERWEIN. Thank you. I think I would like to have that elk's call to attract an Elks' convention to Spokane. I want to continue with my further-processed statement as well. I would like to know what that further-processed means later on, perhaps.

Again, our subject is creating jobs and just to give you some background on eastern Washington, Spokane has approximately 150,000 population. Other towns in the area range from 1,000 to 20,000 people, depending on who is laying off lately. Sixty-five percent of our small business in the area has fewer than 20 employees. We also estimate that 80 percent of new jobs will come from firms with fewer than five employees. And we also recognize that a majority of new jobs will come from startup firms or those companies which are spinoffs from larger firms. And our basic industries, as you have already heard—logging, mining, and agriculture—the economy in those industries has been soft. But as their productivity increases, and it has, fewer workers will be needed in those industries. So, obviously we are faced with a critical path here of declining jobs in the basic industries.

Because the average size of business in our area is small, government regulations which account for 10 to 15 percent of the administrative costs of doing business greatly hampers our economy.

And, Senator, just to let you know, this is not my personal opinion necessarily. I went out and did a brief survey of agencies, the economic development councils, corporations. I tried to spread it around across many industries. I am kind of giving you a basis of what our conclusion was. Also this went into northern Idaho. And of course they had the same comment about taxes over there.

Another factor limiting small business is the high cost of liability insurance, and we are all aware of that problem. Also the ability to obtain financing. I cannot tell you the number of firms that said if they could just get the loan from the bank, what they could do in terms of jobs. That list goes on and on. And we also know that most start-up firms cannot afford one mistake, and yet they do make mistakes.

I have some good things to report, maybe to keep to the theme of our panel here. But I would like to cite out a number of organizations. Small business development centers are very effective with small business in our area. Business incubator, we have one in Spokane and several others starting in the region. The Economic Development Agency has been very helpful. Economic development councils and partnerships, SBA, and the list goes on and on. We see a great deal of help coming from those agencies, although we could see more coordination between the agencies.

Our corporation, as you know, is a natural gas and electric utility. We are very actively involved with small business because the truth is, if they do not survive, we do not survive. And if all of us do not survive, government will not survive. So, I guess that is why we are here today. And some of the things we are doing to combat our economy over there is we are working with organizations as a liaison, making sure that if we see voids, other organizations will pick it up. Also promoting harmony when you are in a competitive situation with lots of little towns vying for the same business. Competition is really tough over there, and it does create some discord. We try to be effective in that area as well.

And of course from our CEO all the way down through the work force, all members are encouraged to take active roles in economic development activity. One thing that we have done is we have established a tip program where employers are encouraged to give us tips. I pull a raffle ticket out every quarter. And whoever's name is on the ticket wins a donated trip or donated prizes. And these tips are things that we can do to turn our economy around, whether it is recruitment information—in most cases, it is a company that is talking about shutting down or quitting. We get an early warning system out of this and we are able to get in there and do some things to turn it around.

We also act as a go-between for companies that are having trouble or considering moving out of the area. It is the darnedest things that will make a company start looking. And, as you know, if you have an employee, you are about to them lose on the day they start looking for another job. And if you can catch them just before they look for another job or, in this case, if you can catch a firm before they start looking outside the area, believe me, when you are up against Louisiana, in terms of numbers, it is awful tough to beat them.

And I have specifically been asked to report today about our manufacturers 'assistance program. I have been with the company a year now. And for several months I just went out and talked to companies. Having come from a manufacturing firm, I wanted to hear the opinion of small businesses in the area. And when I asked them how business was, they would say, "Well, it is lousy."

And I would say, "What is the problem?"

They would say, "The phone does not ring anymore."

To me, having come from an international company where we got out and competed with the Japanese and competed with the nations of the world, we understood that you had to go out and sell. So, we told them, "Go out there and sell your products. Be aggressive." Unfortunately they would not do this. So, when they did not do it, I went out, and I became their agent. I came over here in the Puget Sound area, for example, as a pilot test and started calling on purchasing agents. I came back with orders, much to the surprise of some of the firms back in our area.

Sometimes we have a narrow vision where we think if the economy is bad in our area, it is bad all over. It is not necessarily the case.

I then hired a fellow who was a purchasing agent and an engineer for Boeing who was living in the area. And together we went out and started making calls. And we discovered something: the weaknesses our industries had in marketing were the same weaknesses or similar weaknesses that purchasing agents had over here. For example, they had weak purchasing agent skills. They had little time to go look for suppliers. And they had trouble getting good deliveries. We all love Boeing, but it does impact some of the other industries when they cannot get machine shop time and other things.

So, we decided we would work on a program that worked both ways of the street. And similar, I guess, to the Oregon program, it has worked. We now have a system set up which is funded by industry where we get the vital information that purchasing agents need. And lots of times purchasing agents do not understand what they need to know. And so there is an educational process on both sides.

But currently what is happening is we are trying to turn this over to the industry in the form of an association so that our corporation is not the focal point, which it is now. We have printed a directory which has like a D&B sheet in there so a purchasing agent can quickly look at a company and get a quick readout of what that company can do. The book is indexed by capability, not by the company name. If you look at similar directories, they go by company name and assuming that the purchasing agents know who they are and where they are.

The other thing that we have done is we have included cards, postcards, that will come to my office. And I will personally follow it up if the purchasing agent is having trouble with an order or if he has a problem with finding the source. And although we have not measured out all our performance because we are busy doing it right now, we have brought back a number of contracts to our area. We are now going to head into other States and of course into Canada with this. Eventually we see that this program will be on a computer data base and that agency will be able to plug in.

And so we see this as a function of being able to do a number of things. First of all, it tells business that you have to be aggressive. You have got to go out and sell. But then you have to go out and know how to sell. Also purchasing agents, we have to let them know that there are services in their neighborhood, as we heard here from Oregon, but also in their own State, that by dealing together we can do a lot more for our State.

In conclusion, I would like to say that we are also putting on small city summits. We started out going to Ritzville and working our way back and across the border. We will go into a community with donated time from other corporation economic development executives, also with professionals in community development offices, with the State commerce department. We will go in and put on a workshop for the people in the town, help them develop the assessment of their weaknesses and their strengths, make recommendations. And we thought we would do a few cities. We have now a waiting list for next year, and we are doing one every month. Tomorrow I will be in Orafino.

We have seen some tremendous things come out of people, out of themselves, I think, as we heard from one of your previous panels. We have a tremendous work force in our State. They want to do something for themselves. And they like to get government off their back a little bit in small business. And they can get the job done, if we just give them the right tools and give them some direction.

Thank you very much.

Senator **Adams**. Thank you Mr. Kerwein. Most eloquent, and both of you indicate movement in the thing. I will ask you a question later, but I will wait for my questions till the end of the panel. Your prepared statement is entered in the record.

[The prepared statement of Mr. Kerwein follows:]

WWP
Washington Water Power

July 22, 1987
Senator Brock Adams
Seattle Office
2988 Jackson Federal Building
915 Second Avenue
Seattle, Washington

Dear Senator Adams:

Ref: Senate Subcommittee on Employment and Productivity
Monday, July 27, 1987 Hearing

The following will be my comments at the Monday hearing. Thank you for the opportunity to report to your sub committee. The remarks follow :

Thank you for the opportunity to speak before this committee.

I am the manager of Marketing Development for The Washington Water Power Company. I also have owned several small businesses in the past, I am the founder and on the executive board of the Spokane Business Incubator, a board member of the Private Industry Council and a number of other small business related organizations. Our company and I personally are very sincere in our desire to help small business. We see small business as the engine which will pull our nation back to economic recovery.

Our headquarters are located in Spokane, Washington. We serve a 21,000 square mile region which approximately extends from the Canadian Border to the Oregon border; and from Othello, Washington in the West; to the Montana border to the East. As manager of Market Development I have a primary task of creating programs and giving direction for three basic objectives:

1. **Retain the business we already have**
2. **Assist existing business expansion**
3. **Target and recruit new business**

The economy in our region is fed by timber, mining, agriculture and small business. It is important to know that manufacturing in our region is only 13% which is about half of the nation's average.

The Washington Water Power Company P.O. Box 3727 Spokane, Washington 99220 (509) 489-0500
SERVING EASTERN WASHINGTON AND NORTHERN IDAHO WITH ELECTRICITY AND NATURAL GAS

Much of our business is service-oriented and serves our three natural-based industries, timber, mining and agriculture. Over 65% of small businesses in our area have fewer than 20 employees and it is estimated that over 80% of new jobs in our area will come from firms with 5 or fewer employees. Our region has also noticed a continuing decline of net per capita income which currently is about 15% under the nation's average. As you know our basic industries are prime areas of unemployment. Some experts believe that unemployment exists because these industries are in a slump. For the most part this is true, but there are some trends worth watching. In the timber industry, for example, in the State of Idaho in 1979, there were 19,000 jobs in the forest products industry. At that time one million feet of logs equaled 10 direct jobs. In 1982 during the recession, there were 12,800 employed in this industry. Today profits are up, production is up, but there are only 16,000 jobs. Also, there are only 8.5 direct jobs related to one million feet of logs. This trend of reducing the number of jobs in our three basic industries is a trend which we will see more and more.

Because of the limited time I have, I will restrict my comments to address some of the problems facing small business in our region and some of the programs working to solve these problems. I also will describe a successful program created by our Company to assist manufacturers in our area. There is no question all of us want to create jobs for our citizens. There are numerous reports which show future jobs will be created by small business.

Because I was asked to represent a region, I took the liberty of interviewing a range of individuals representing agencies trying to create jobs and also owers of small businesses who create the jobs. Here is a summary of their conclusions.

First, I will quickly run through a conclusion of comments from small business owners:

*There is a significant cost from all levels of State and Federal government, to comply with regulation. These small companies are required to complete a large number of forms, many of which require small businesses to hire a service to make their reporting. One example of this is the requirement for firms over 50 employees, who have to make W-2 and 1099 filings with magnetic tape. A small firm can't afford the equipment to make the filing, so they must contract for these services. If a majority of future jobs in our area are going to be created by small businesses, the more Federal and State regulation burden we pile on them, the fewer jobs we will create. This is especially true in our region where the size of our companies are very small and they have little cash flow for this expenditure. It is estimated that these regulations account for 10 to 15% of the administrative cost of a business.

*There are a number of firms operating without liability insurance because of its high cost. I have an investment in a marina and I can attest that our insurance went from $6,000 per year to over $36,000 in one year. Because of this expense, the Small Business Development Centers and Business Incubator Centers in our region are reporting that businesses are either closing or abandoning their plans to start up.

*Directors and officers are vital to firms, but again because of the high cost of liability insurance, firms are unable to get the leadership they need.

*Disclosure requirements for businesses are the same for large and small businesses. Large companies have a greater capacity to perform these requirements and small businesses do not.

*Firms have difficulty obtaining capital. There are a number of reasons given why financing is not available, but the end result is that there is very limited financial avenues for firms in our region to obtain money.

*Many entrepreneurs starting out in business are coming from a corporate environment and have few skills necessary to operate a business. The lack of experience in a wide range of areas is a serious problem affecting the start up of new firms and the creation of new jobs.

There are a number of agencies in our area working with small businesses and, in my opinion, doing some good. Please note the following:

*Small Business Development Centers

*Business Incubators
*Economic Development Councils and Partnerships
*Economic Development Agency
*Small Business Administration
*State Department of Commerce and Development
*Private Corporations
*Non-profit Organizations
*And Others

Because I am here today representing a corporation, I would like to discuss our efforts. It is no secret that if small business does not succeed our corporation and other corporations will not succeed. I believe this same theory applies to tax-supported agencies as well. All of us should be highly motivated to work in this area.

Our Company is conducting a number of economic development programs:

Business Retention and Expansion

a) Working with a number of start-up firms, getting them answers to questions annd directing them to resources. Spokane Area Economic Development Council has established a "Hotline" small businesses can call to get referrals for their problems. This program is working well.

b) We work with firms who are considering moving out of the area. We have established an employee tip program which encourages employees to give us this information. Our marketing representatives also keep their ears open for this kind of information. We follow up these leads with a program to work with a firm through their problems to retain their business in our area.

c) We have developed and co-sponsor a number of workshops designed to support businesses.

d) We have designed a program to link up purchasing agents of firms outside our region with manufacturing firms in our area. This program is very exciting and has resulted in the awards of contracts to firms in our area. In this program we took the initiative when businesses in our area did not have the resources or the interest in aggressively marketing their products. We called on purchasing agents and worked with them to design the best system for them to access firms in our area. Basically speaking, we became their sales representatives and through our efforts led them into new markets. Purchasing agents now can access a network of firms, who would not be able to call on the agents. We are converting our efforts into an association which eventually will be funded by the manufacturers, and provide the training and leadership to help businesses aggressively market their products. We also expect that the information we are gathering will be part of a computer network which the purchasing agents will be able to access from their desk.

Community Development

a) Spokane, is the second largest city between Minneapolis and Tokyo, it is the second largest city in Washington State. It has a population of approximately 150,000. Other cities in our 21-county service territory are very small. Each month we hold a "Small City Economic Development Summit" in a different location. We assess the strengths and weaknesses of that city and make recommendations. We also invite representatives from other cities in the area to attend and give their input. This does two things. It gives the small community a first step in the development of their economic development plan and at the same time it offers training for the other communities attending the event. At each of our summits so far, we have had a cadre of economic development professionals attend and also we have had representatives from over 50 communities in attendance. I will be leaving here today to travel to Orofino, Idaho to attend one of these summits. The community leaders tell us this work on the community level has done more for them than anything they have had in the past. Not only do we help them decide on a direction, we develop the basis for an economic development team who will carry forward and turn the community's economy around. As we all know, you can design a perfect program, but without individuals to put in long hours of hard work, programs will go nowhere.

In our travels and working on a variety of economic development projects, we have noticed that communication between Federal, State and local levels is poor. There is duplication, or voids and also competition between programs. You are to be commended for these hearings, because I think they help the communication process. We should take this a step forward and publish a directory of all programs and make this directory available to all levels of economic development activities.

Senator **Adams**. Mr. Dracobly.

Mr. **Dracobly**. Thank you, Senator Adams. I am Fred Dracobly, President of the Willapa Aquaculture Council and the Willapa Development Corporation. My goal today is to offer an overview of the aquaculture assistance and development programs in the Willapa region and the benefits they bring in terms of employment and economic development.

Aquaculture has been practiced in Willapa Bay and recognized as a true farming activity for nearly 140 years. It is a major and vital part of the regional economy. It provides most of the water-dependent employment in the Willapa region.

Over 50 percent of the oyster production in Washington State occurs in Willapa Bay, approximately 7,000 acres. More than one-quarter of the 26,000 acres of private tidelands in the bay are potential shellfish farms. Presently 2,000 to 2,500 acres are in production, with an annual harvest of over 3 million pounds of oysters and 140,000 pounds of hardshell clams. Aquaculture is strongly supported by the Willapa community as a preferred development activity by both county and State government agencies.

The shellfish farming sector creates at least 470 direct full-time jobs and 440 part-time jobs for Pacific County residents. The work force ranges from bed workers to biologists. The oyster producers of Willapa Bay had sales of about $8 million in 1985.

The goals of these two organizations are to assist in the managed expansion of aquaculture production and support aquaculture research and technology transfer. Our five achievable objectives are, one, to diversify and enhance aquatic farming, conduct cooperative finfish enhancement projects, coordinate a cooperative marketing project, approach regionwide planning, and provide training and education involvement.

Aquatic crops with the greatest potential have been Pacific oysters, Manila clams, and Pacific salmon. We have also considered other species such as sturgeon, nori, mussels, steelhead, and possibly Dungeness crab.

I hope this presentation today will demonstrate that these two organizations are not special interests or industry-specific organizations. Our goals encompass the entire community. As you can see from our boards, members include aquatic farmers, fishermen, retail merchants, bankers, and regional government specialists. Leading the startup of our project have been local growers, Coast Oyster Company and Bay Center Mariculture; corporations concerned with the economic health of our region, Rainier Bank and Pacific Northwest Bell; the Weyerhaeuser Company through respect for the bay, through foresight in logging and reforestation. From our point of view, these corporations are commended. Our contributors have been equally broad based. The Port of Willapa Harbor funded $20,000 for a development plan.

Neither organization has regulatory, management, or enforcement authority, and cannot restrict any Pacific user or group activity. Instead we will work to educate all the user groups with emphasis on those in aquaculture, as to planning issues of importance in the bay. We are presently engaged in, or will soon be beginning, several publicly supported projects aimed at maintaining natural resources, monitoring existing conditions, and educating the general public.

The future of aquaculture in the region will depend on the expansion of the resource base. New aquaculture developments include the application of different species, growing methods, and areas for shellfish culture. The uplands surrounding the bay and the many rivers and streams draining the watershed are, as yet, unused for aquaculture.

However, several of the streams make up part of the State's finfish enhancement effort. All these features combined make the Willapa Bay region a prime site for private and cooperative aquaculture development and enhancement.

We have predicted a doubling of oyster production within the next ten years. This would result in an estimated 450 to 500 full-time jobs. Most growers are now expanding production, and several new farms have recently begun production in Willapa Bay. Employment requirements, particularly for local residents, also are expanding. These trends indicate the strong health and vigor of this natural resource based industry.

Thank you, Senator Adams.

Senator ADAMS. Thank you very much. I am particularly interested in the Grays Harbor area. I missed one part of your testimony. You said that 2,025 acres are under production. Did you indicate how many were potentially available there?

Mr. DRACOBLY. Yes. Out of the private tidelands, there is potentially 7,000 acres.

Senator ADAMS. 7,000 acres. That was what I missed.

Mr. DRACOBLY. Out of 26,000 possible acres.

Senator ADAMS. 26,000 possible. Thank you very much. Your written statement is included in the record.

[The prepared statement of Mr. Dracobly follows:]

Willapa Aquaculture Council
P.O. Box 71 • Raymond, WA 98577 • Phone (206) 942-5265

United States Senate
Committee on Labor and Human Resources
Subcommittee on Employment and Productivity
Hearing, 7/27/87

E. Fred Dracobly, Testimony

Good morning Mr. Chairman and ladies and gentlemen: My name is Fred Dracobly. I am president of the, Willapa Aquaculture Council and the Willapa Development Corporation, and will speak here today for both organizations.

The purpose of this presentation is to offer an overview of the aquaculture assistance and development programs that are available to the aquatic farmer in the Willapa region and to briefly discuss employment and other benefits of those programs.

INTRODUCTION

The Willapa Aquaculture Council, a new community-based non-profit aquatic farming assistance organization, and the Willapa Development Corporation, a community economic development organization, have initiated an aquaculture development program in the Willapa region of southwest Washington. A 90 page report was prepared last year as the first step in this "action program" related to the economic potential of aquaculture for the region. This report reviewed old and new approaches which could be successfully applied to expand and diversify aquaculture without adversely affecting other industries and natural resources in the region.

AQUACULTURE IN SOUTHWEST WASHINGTON

AQUATIC FARMING DEFINED

Aquaculture -- the farming of aquatic crops -- has become a significant element of the U. S. seafood industry and a recognized part of the agricultural economy. Aquaculture is a positive economic influence to the Willapa region. The region possesses many features, unique to the State of Washington, which permit aquaculture development and enhancement. Willapa Bay, with an area of over one hundred square miles, dominates the region. The Bay has waters that are productive, free of pollutants, and offer ideal growing conditions for commercially important aquaculture crops.

HISTORY AND VALUE TO REGION

Aquaculture has been practiced in Willapa Bay for nearly 140 years, where it is generally recognized as a true farming activity. It is a major part of the regional economy and provides most of the water dependent employment in the Willapa region. Over 50% of the Pacific oyster production in Washington State occurs in Willapa Bay. Approximately 7000 acres of the total of 26,000 acres of private tidelands in the Bay have an immediate potential for shellfish production. Presently 2000 to 2500 acres are in production, with an annual harvest of over three million pounds of oysters and 140,000 pounds of hardshell clams. Aquaculture is strongly supported by the local Willapa community, and is seen as a preferred development activity by county and state government agencies.

EMPLOYMENT AND ECONOMY

For the shellfish farming sector (the dominant aquatic farming group) there are at least 470 direct fulltime jobs, and 440 seasonal and part-time jobs in the industry for Pacific County residents (these figures based on a survey of shellfish growers conducted last month by the Council). The work force ranges from bed workers and dredge operators to oyster openers, plant managers, and biologists. The oyster producers of Willapa Bay had sales of at least $8 million in 1985. Their sales per earnings and number of employees per unit value are considerably higher than the all-industry averages for the State.

THE PROGRAM OBJECTIVES

The Willapa Aquaculture Council and the Willapa Development Corporation have goals of assisting in the managed expansion of aquaculture production, and supporting aquaculture research and technology transfer. There are five objectives to the Willapa aquaculture program. These objectives are as follows:

DIVERSIFY AND ENHANCE AQUATIC FARMING

Identify new economic opportunities in aquaculture /enhancement which make wise use of the resource base in Willapa Bay.

CONDUCT COOPERATIVE FINFISH ENHANCEMENT PROJECTS

Apply cooperative management practices to improve the abundance and quality of fish returning to Willapa Bay.

COOPERATIVE MARKETING

Improve and coordinate the business climate for commercial aquaculture operations.

REGIONWIDE PLANNING

Achieve a unified approach to aquaculture and aquaculture-related activities to insure that Willapa Bay and its people derive maximum economic and social benefit.

TRAINING AND EDUCATION

Provide opportunities in vocational training and formal education to meet the needs of the aquaculture industry.

TYPES OF AQUATIC CROPS THAT COULD BE CULTURED

The cultured aquatic products having the greatest potential for commercial culture are,

Pacific oysters and varieties
Manila clams
Pacific salmon (enhancement)

Other species being considered are not as advanced on a biotechnical basis. Before they are to be considered economically viable some problems, of varying difficulty, need to be solved. The more promising cultured species are,

Sturgeon (aquaculture and enhancement)
Steelhead trout (enhancement)
Salmon and trout (aquaculture)
Bay mussels
Nori - Porphyra
Crayfish
Dungeness Crab

PROGRESS IN WILLAPA AQUACULTURE

PRINCIPAL ORGANIZATION FUNCTIONS

One of the principal functions of the Willapa Aquaculture and the Willapa Development Corporation is to provide agency staff, educators, aquatic farmers, and other interested parties with information dealing with issues affecting aquaculture development, jobs and the economy of Willapa Bay. Our organizations coordinate aquaculture and resource enhancements efforts in the Willapa Bay region through communication and guidance aimed at increasing the interaction and involvement of public agency and private interests. Essentially all groups or individuals having an interest in the aquatic resources of the region are included within the scope of our functions. Specific functions involve coordination of meetings and workshops, administration of public aquaculture demonstration projects; formation of a project-specific advisory group; presentations at seminars, workshops, and public meetings; and development of educational materials.

THE SUPPORT BASE

The Willapa Aquaculture Council and the Willapa Development Corporation are not special interest or industry-specific organizations. Our goals encompass the entire community. This is reflected in our Boards, which include aquatic farmers, fishermen, a clothing store owner, a banker, a grocer, an Indian tribe, and regional government specialists. Leading the startup of our project have been local growers -- Coast Oyster Company and Bay Center Mariculture; corporations concerned with the economic health of our region -- Rainier Bank and Pacific Northwest Bell; the Port of Willapa Harbor; and several key government leaders. Our contributors have been equally broad-based. Neither organization has regulatory, management or enforcement authority and cannot restrict any specific user group or activity. Instead they will work to educate all user groups, with emphasis on those in aquaculture, as to planning issues of importance in the Bay.

ON-GOING EFFORTS

We are presently engaged or will soon be beginning several publicly supported projects aimed at maintaining natural resources, monitoring existing conditions and educating the general public.

COOPERATIVE FINFISH REARING

The first project is a cooperative finfish restoration project. This project is a cooperative venture between the Port of Willapa Harbor, the Willapa Bay Gillnetters, the Washington Department of Fisheries and the Willapa Aquaculture Council. It is based, in part, on similar efforts elsewhere in the state (i.e. the "Long Live the Kings" project of the Northwest Renewable Resources Center). Part of the project includes site selection for biological and physical conditions and other factors. To assist in the site selection and application process, the Council applied for and received a small grant from the Washington Department of Community Development. We also have a student volunteer intern from Grays Harbor Community College to carry out required water quality monitoring. The successful cooperative enhancement of the fisheries could have a major impact on fisheries-related within the Willapa region -- a sector that is now producing 1/3rd to 1/2 of historic production levels.

STUDY OF AQUACULTURE POTENTIAL

Our next project, which should begin soon, is a joint effort of the Council and the Washington Department of Natural Resources. We will gather environmental data from selected private, county and state lands for a number of land and water resource parameters. Our work will allow us to predict the changes in the environment which can affect aquatic farming. We see such information of great value in weighing the environmental costs and benefits of development options for the region, and in assessing the potential of further aquaculture development or enhancement. Data from this project will be presented in a report to the agency and people of the region, and be made available to investors and employers.

PUBLIC EDUCATION AND TRAINING

Finally, we have three educational assistance foundation grants. Using a grant from the Bishop Foundation (a Seattle-based group), we will offer advisory support for a high-school and college student-run marine education program. We have noted the lack of a formal mechanism to link the youth of the area with the aquatic resource needs of the community. Much of our effort will be to place students from the Willapa region in appropriate situations for assisting in carrying out the environmental and outreach goals of the Council, and in expanding youth awareness of region-wide water quality and solid waste management issues.

GOVERNMENTAL RELATIONS

The economic viability of the resource producing sector in the Willapa region is of major concern to government agencies. Production of all resource-dependent products is low in relation to historic levels. This is due to a combination of local environmental and social factors, and economic events, such as our deficit trading position for seafood products.

Some agencies, with the assistance of our groups, are taking a closer look at ways to alleviate the depressing factors, and stimulate increased economic growth. For example, the Washington Department of Ecology provides shellfish protection funds to the region for water quality control, and funds shoreline planning. The Department of Community Development maintains a special loan fund for private industry in the County. The first state subsidized aquaculture loan was to a local oyster grower. In general, the regulatory agencies cannot give preferential treatment, however, they do offer a high level of staff and funding support to the region.

THE FUTURE OF AQUACULTURE IN THE REGION

EXPANSION OF THE RESOURCE BASE

New developments in aquaculture have been pursued in recent years in Willapa Bay with the application of different species, growing methods and areas for shellfish culture. The uplands surrounding the Bay and the many rivers and streams draining the watershed are, as yet, unused for aquaculture. However, several of the streams make up part of the State's finfish enhancement effort. All of these features combine to make the Willapa Bay region a prime site for private and cooperative aquaculture development and enhancement.

EMPLOYMENT POTENTIAL

We have predicted a doubling of oyster production within the next ten years, based on historic levels. This would result in an estimated 450 to 500 additional full-time jobs. Most growers are now expanding production, and several new farms have recently begun operation in Willapa Bay. Employment requirements, particularly for local residents are also expanding. These trends indicate the strong health and vigor of this natural resource-based industry.

TRAINING AND EDUCATIONAL REQUIREMENTS

One of the most important elements of this expansion is a knowledgeable and motivated workforce. The potential to retain the historic levels and to diversify into new crops, coupled with the long-term stability of aquaculture is recognized by the community. Without directed community support, no active effort to support or develop the industry is possible. Aquaculture, even in the Willapa "heartland" is still a mystery to most people. We have seen movies about farming, but aquaculture remains culturally foreign to most residents in the community. Fully informed participants are a minor group. Farmers, because of the time constraints of their farming activity, cannot easily interact with the community and regulators. They are concerned about obtaining a quality labor force. Their basic requirements are for employees who want to work, have practical experience on the water, and a basic knowledge of aquatic farming. Training now mainly occurs "on-the-job" and few growers see a real need for specialized training programs. However, the research and development needed for expansion of aquatic farming will require the skills of a more specialized staff. Our organizations are in the position to assist in the direction of the specialized training that would be of most benefit to the recipients and the community.

[Editor's Note: In the interest of economy, a report submitted by Mr. Dracobly entitled "Aquaculture in Willapa Bay: A Plan for Development" was retained in the files of the committee.]

Senator **Adams**. Mr. Turner.

Mr. **Turner**. Thank you, Senator Adams. I am Isiah Turner, Commissioner of the Washington State Employment Security Department, and president-elect of the Interstate Conference of Employment Security Agencies. In addition, in 1983, I had the opportunity to personally administer the dislocated-worker program in this State with the Boeing Company, which gave me firsthand experience with worker adjustment programs.

My department currently administers and operates dislocated-worker programs under both the Job Training Partnership Act and the Trade Adjustment Act in Washington State. Since the enactment of JTPA, which was in October of 1983 and through June 30th of this current year, we have served 15,000 dislocated workers, with a placement rate of 76 percent. And we placed these men and women in a job that had an average wage of $8.38 an hour.

In its April, 1987 report on Exemplary Local Dislocated Worker Projects under the Job Training Partnership Act, the U.S. General Accounting Office did case studies of eight successful programs throughout the United States. I am very proud to point out that two of the eight projects they cited were in Washington State which we administered. One is in Everett, and the other was our ASARCO project in Tacoma, Washington.

Employment Security is also the agency designated by Governor Gardner to oversee the adult and youth programs under Titles II-A and II-B of the Job Training Partnership Act, which in Washington State are administered by my department in conjunction with a very active and effective Private Industry Council we have in 12 Service Delivery Areas throughout the State. Through March 31st of this year, 68,361 economically disadvantaged persons have received employment and training services under these programs.

As a vital part of our governor's bold new welfare reform initiative, which we call the Family Independence Program, my agency, in conjunction with the Private Industry Councils, will be responsible for the training and employment of welfare recipients.

I believe that this Guaranteed Job Opportunity Program proposal contained in Senate 777 is very compatible with and would be of great assistance in our efforts to employ both longer term dislocated workers as well as welfare recipients. Not only would they be employed in local projects until they can find private sector employment, but they would receive the minimum wage or ten percent more than what they would receive from unemployment compensation or from welfare, whichever was higher. These wages, when you look at them, when combined with the child care and transportation assistance contained in the proposal, and our State and local job creation efforts, we feel should enable our unemployed to be successful in their efforts at financial independence.

But as you have heard in previous testimony today, Washington State's economy and our work force have undergone rapid change. Under the leadership of our governor, Governor Gardner, his local colleagues, and our State Legislature, the disabling side effects of this change are being addressed through a new and renewed spirit of partnership between the State and local communities. Early in Governor Gardner's administration, he created Team Washington, which is the economic development umbrella organization which commits several State agencies to work together and support local development organizations as equal partners in this necessary team effort. The Business Resource Network, which is housed in my agency, is the central State organization which markets the full array of work force-related services to Washington's business community. Nine "account executives" make sales presentations to new and expanding businesses as well as carefully researched businesses to increase their awareness, understanding, and use of employment and training resources.

The Congress' support, through such Federal programs as the Job Training Partnership Act, the Trade Adjustment Act, the Community Development Block Grant, Urban Development Action Grant, Industrial Revenue Bonds, the Economic Development Administration, and the Small Business Administration, has relieved some of the financial pressures which result from the prohibition in our State's and 20 other States' constitutions against the lending of credit to businesses and therefore cannot be supported by our State and local government revenues. But I can tell you countless stories to show how we in Washington State have creatively mixed and matched the support available from your Federal programs to leverage State and local assistance. This partnership is resulting in substantial private sector investment and reinvestment in our State.

One such example began last November when one of our aluminum plants closed, dislocating over 600 workers in a rural county with a population of only 16,700 people. That unemployment rate rose to nearly 30 percent overnight in a county which already was experiencing over 20 percent recorded unemployment. The number of jobless in that county rose by more than 30 percent over the previous year; from 1,300 to 1,900. Within a few days after receiving a call from local legislators and city officials, we put together a multiagency State rapid response team in the community. Arrangements were made for the dislocated workers to apply for their unemployment insurance benefits. We also developed a petition for Trade Adjustment Act certification. An interested investor was found for the plant, the rural town received the help it needed to apply for a Federal Community Development Block Grant and Urban Development Action Grant funds as gap financing for the potential buyer to purchase the plant, and my agency and the State Labor Council worked cooperatively with the local labor organization and the new owner to design customized retraining programs for the dislocated work force. The sale of the plant has just been completed, and we expect many of the dislocated workers to be back to work this fall. This is what we in Washington State call teamwork—and teamwork in a large effort like this includes team members from the Federal, State, and local level—all of us working together.

This past spring and this current summer, I have watched Congress' Trade Bills pass both the House and Senate. From my view as a State employment and training administrator and willing team member with my Federal and local counterparts, I have grave concerns about the Worker Adjustment Program portions of the House Trade Bill. Specifically the House bill pays only "lip service" to the State role in the very important "rapid response" function. I say this because the funding for the State role is limited to six percent of the total appropriation. In Washington State this would mean the State would receive about $500,000 if—and from what I hear, this is not a probable if—the Congress was to give us a national budget of $980 million. Currently, we have a national budget of $250 million. With our $500,000 we would be expected, under the House version, to provide rapid response within 48 hours, establish regional centers, provide technical assistance, staff a new State Worker Adjustment Advisory Council and provide discretionary funds for basic worker adjustment services when unanticipated plant closures and mass layoffs occur. Senator and other members of this committee, either someone has not thought the House version out very well or expects the States to foot the bill at the very time they need help the most. While we know this portion of the House Trade Bill was included and passed in the flurry and heat of debate and pressure from the Gephardt Amendment, I am very concerned that the conference committee between the House and Senate versions will compromise the State role beyond what is currently in your Senate version; that is, half to the State for rapid response and half to the local areas. While I applaud the Senate version as it is currently proposed, the importance of the State role should not be "watered down" through the conference committee process or compromised in an attempt to maintain the more controversial mandatory advance notification provisions which are not included in the House Trade Bill.

I urge you to help us increase the awareness of the conference committee members as they deliberate the State and local roles in the final versions of the Trade Bill. In my judgment, the ability of State government to quickly marshall a wide variety of State and local resources to address plant closure and mass layoffs has been a large part of our success in Washington State.

In summary, you can be proud of the vital part your Federal support plays in assisting dislocated workers and businesses to adjust to Washington State's and the Nation's changing economy. We in Washington State believe we are models in terms of leveraging Federal, State, and local public and private support to improve the lives of our dislocated workers and to create and retain jobs. So, we urge you, as you review old Federal programs and preview new proposals, to accept and support what are Federal responsibilities and provide our States and communities the flexibility to use the needed Federal support to fill these gaps. Given the effects of world trade on individuals, businesses, and communities, support for employment and training, community and economic development programs are two of those essential Federal responsibilities.

I thank you for this opportunity to testify, and I would be pleased to respond to any questions you have at the end of the panel.

Senator ADAMS. Thank you, Mr. Turner, I will have a question in just a moment. I wanted to give Mr. Lindsay an opportunity to make a statement. And then I have a question for several other members of the panel on the specifics of their testimony. Your prepared statement, Mr. Turner, is entered in the record.

[The prepared statement of Mr. Turner follows:]

TESTIMONY
BY
ISIAH TURNER, COMMISSIONER
WASHINGTON STATE EMPLOYMENT SECURITY DEPARTMENT, AND
PRESIDENT ELECT, INTERSTATE CONFERENCE OF
EMPLOYMENT SECURITY ADMINISTRATORS
ON
THE FUTURE OF JOBS IN WASHINGTON'S CHANGING ECONOMY
BEFORE THE
U.S. SENATE SUBCOMMITTEE ON
EMPLOYMENT AND PRODUCTIVITY
MONDAY, JULY 27, 1987
SEATTLE CENTRAL COMMUNITY COLLEGE
SEATTLE, WASHINGTON

Chairman Simon and Senator Adams of the Senate Subcommittee on Employment and Productivity: I am Isiah Turner, Commissioner of the Washington State Employment Security Department, and President-Elect of the Interstate Conference of Employment Security Agencies. In addition, in 1983, I personally administered the dislocated worker project with the Boeing Company which gave me first hand experience with worker adjustment programs.

My department currently administers and operates dislocated workers programs under both the Job Training Partnership Act and the Trade Adjustment Act in Washington State. Since the enactment of JTPA, (October 1, 1983 to June 30, 1987) we have served 14,976 dislocated workers, with a placement rate of 76%, at an average wage of $8.38 per hour. In its April 1987 report on Exemplary Local Dislocated Worker Projects under the Job Training Partnership Act, the U.S. General Accounting Office did case studies of eight successful projects. I am proud to point out that two of the eight projects they cited were in Washington State. One is in Everett and the other was our ASARCO project near Tacoma, Washington.

Employment Security is also the agency designated by Governor Gardner to oversee the adult and youth programs under Titles II-A and II-B of the Job Training Partnership Act, which in Washington State are administered by very active and effective Private Industry Councils in 12 Service Delivery Areas. Through March 31, 1987, 68,361 economically disadvantaged persons have received employment and training services under these programs.

As a vital part of our Governor's bold new welfare reform initiative, which we call The Family Independence Program, my agency, in conjunction with the Private Industry Councils, will be responsible for the training and employment of welfare recipients. Chairman Simon, I believe that your Guaranteed Job Opportunity Program proposal contained in Senate 777 is very compatible with and would be of great assistance in our efforts to employ both longer term dislocated workers and welfare recipients. Not only would they be employed in local projects until they can find private sector employment, but they would receive the minimum wage or ten percent more than what they received from unemployment compensation or welfare, whichever is higher. These wages, when combined with the child care and transportation assistance contained in your proposal, and our state and local job creation efforts should enable our unemployed to be successful in their efforts at financial independence.

As you have heard in previous testimony today, Washington State's economy and work force have undergone rapid change. Under the leadership of Governor Gardner, his local colleagues and our state legislature, the disabling side effects of this change are being addressed through a new and renewed spirit and partnership between the state and local communities. Early in the Governor's administration, he created Team Washington, which is the economic development umbrella organization which commits state agencies to work together and supports local development organizations as equal partners in this necessary team effort. The Business Resource Network housed in my agency is the central state organization which markets the full array of workforce-related services to Washington's business community. Nine "account executives" make sales presentations to new and expanding businesses as well as to carefully researched businesses to increase their awareness, understanding, and use of employment and training resources.

The Congress' support, through such federal programs as the Job Training Partnership Act, the Trade Adjustment Act, the Community Development Block Grant, Urban Development Action Grant, Industrial

Revenue Bonds, the Economic Development Administration and the Small Business Administration, has relieved some of the financial pressures which result from the prohibition in our state's and 20 other states' constitutions against the lending of credit to business, and therefore, cannot be supported by our state and local government revenues. But I can tell you countless stories to show how we in Washington State have creatively mixed and matched the support available from your federal programs to leverage state and local assistance. This partnership is resulting in substantial private sector investment and reinvestment in Washington State.

One such example began last November when one of our aluminum plants closed dislocating over 600 workers in a rural county with a population of only 16,700 people. The unemployment rate rose to nearly 30 percent overnight in a county which already was experiencing over 20 percent recorded unemployment. The number of jobless in the county rose by more than 30 percent over the previous year; from 1,300 to 1,900. Within a few days after receiving a call from local legislators and city officials, a multiagency state rapid response team convened in the community. Arrangements were made for the dislocated workers to apply for their unemployment insurance benefits, a petition for Trade Adjustment Act certification was completed, an interested investor was found for the plant, the rural town received the help it needed to apply for federal Community Development Block Grant and Urban Development Action Grant funds as gap financing for the potential buyer to purchase the plant, and my agency and the State Labor Council worked cooperatively with the local labor organization and the new owner to design customized retraining programs for the dislocated work force. The sale of the plant has just been completed and we expect many of the dislocated workers to be back to work this fall. That is what we in Washington State call teamwork -- and teamwork in a large effort like this includes team members from the federal, state and local level -- all working together.

This spring and summer, I have watched Congress' Trade bills pass both the House and Senate. From my view as a state employment and training administrator and willing team member with my federal and local counterparts, I have grave concerns about the Worker Adjustment Program portions of the House Trade Bill. Specifically, the House Bill pays only "lip service" to the state role in the very important "rapid response" function. I say this because the funding for this state role is limited to 6% of the total appropriation. (Twenty percent of thirty percent available for Basic Adjustment Services.) In Washington State, this would mean the state would receive about $500,000 if, and from what I hear, this is not a probable if, the Congress was to give us a national budget of $980 million. Currently, we have a national budget of $250 million. With our $500,000 we would be expected, under the house version, to provide rapid response within 48 hours, establish regional centers, provide technical assistance, staff a new state Worker Adjustment Advisory Council, and provide discretionary funds for basic worker adjustment services when unanticipated plant closures and mass layoffs occur. Mr. Chairman and members of this subcommittee, either someone has not thought the House version through well or expects the states to foot the bill at the very time they need help the most. While we know this portion of the House Trade Bill was included and passed in the flurry and heat of debate and pressure from the Gebhart amendment, I am very concerned that the conference committee between the House and Senate versions will compromise the state role beyond what is currently in your Senate version; that is, half to the state for rapid response and half to the local areas. While I applaud the Senate version as it is currently proposed, the importance of the state role should not be "watered down" through the conference committee process or compromised in an attempt to maintain the more controversial mandatory advance notification provisions which are not included in the House Trade Bill.

I urge you to help us increase the awareness of the conference committee members as they deliberate the state and local roles in the final versions of the Trade Bills. In my judgment, the ability of state government to quickly marshall a wide variety of state and local resources to address plant closure and mass layoffs has been a large part of our success in Washington State.

In summary, you can be proud of the vital part your federal support plays in assisting dislocated workers and businesses to adjust to Washington State's and the nation's changing economy. We in Washington State believe we are model stewards in leveraging federal, state, and local public and private support to improve the lives of dislocated workers and create and retain jobs. As you review old federal programs and preview new proposals, we urge you to accept and support what are federal responsibilities and provide states and communities the flexibility to use the needed federal support to fill the gaps. Given the effects of world trade on individuals, businesses and communities, support for employment and training, community and economic development programs are two of these essential federal responsibilities.

I thank you for this opportunity to testify. I am pleased to respond to any questions you may have.

Senator **Adams**. Mr. Lindsay

Mr. **Lindsay**. Senator Adams, I appreciate the opportunity to address you here today on a matter of utmost importance. I am here speaking on behalf of 2,500 United Airlines employees whose jobs are currently threatened. Understanding that the mind can only comprehend what the rear end can endure, I will be as brief as possible. I am also a victim of many processed meals on board aircraft, and I am exposed to 45, on the average, a month. So, I will let the Oregon people alone.

Last month an administrative law judge from the Department of Transportation stripped United Airlines of its route authority to fly between Seattle and Tokyo, and plans to replace our airline with Continental Airlines. Should the Secretary of Transportation allow this decision to stand, not only will our airline be hurt, but the economy of the Northwest, local jobs, families and communities all stand to suffer.

United Airlines began serving the Northwest in 1926. We have a $93 million pay roll here. We have leases at Sea-Tac Airport through the year 2001. We employ numerous minority vendors, carry 13 percent of all traffic locally, and plan to build a $22 million hangar soon.

For 16 years United pressed the government of Japan to allow us to serve the Seattle/Portland-Tokyo route. Finally we began service in April, 1983. Thanks to the hard work of our employees, this route has grown to profitability as the traveling public has demanded and we have provided excellent service on this highly competitive route. If this decision is allowed to stand, the people of Seattle could be left with Continental Airlines, an industry leader: A leader in passenger complaints easily three times higher than the rest of the industry. The industry leader in fines for safety violations, over $10 million so far. The industry leader in fines for consumer fraud and deceptive consumer practices; $2.5 million "plea bargained" down to $250,000. All of these fines were levied by the same Department of Transportation that is awarding Continental Airlines our route. It terrifies us to imagine what we, the United employees, will have to do wrong to merit getting our route back from the Department of Transportation.

Currently, Mr. Frank Lorenzo, has taken over from his once president, Mr. Plaskit, and is now running the troubled airline. This is the same Frank Lorenzo who closed the Seattle employee base of Continental Airlines and abandoned the Northwest eight years ago, the same Lorenzo that promised the California legislature that if they blocked an employee buyout of his airline, he would never leave Los Angeles. With legislation in hand and Winnebago packed, Mr. Lorenzo left California for Texas. He promises now to make the Northwest the hub. I daresay that we are all in jeopardy here.

For this airline, Continental, our Government is willing to uproot United families, who have an average of nearly 20 years with United Airlines here in the Northwest. In spite of overwhelming community support, unanimous Congressional support, led by yourself, on a letter to the Secretary of Transportation, in spite of mayoral and business support, in spite of thousands of signatures that we have been getting from citizens all over the Northwest, the government is trying to uproot United families. Clearly the community will lose. Clearly the economy will lose. Clearly our people who give so much of their time and lives back to the community will lose and passengers will lose. Ultimately Continental Airlines will lose.

Faced with incredible competition from foreign carriers, subsidized by their governments, Continental will lose passengers to superior service. Passengers will flock to these airlines. Passengers that United had earned through quality service will return to fly on foreign wings, and U.S. dollars will leave our skies once again at the expense of American workers. The management of Japan Airlines must be giggling all day faced with the gift of having to compete with Continental Airlines on one criterion, service.

This travesty must be corrected. You are our last best chance. We believe in the system. We believe that people can make a difference. The people of the Northwest are speaking loudly. We need you to take our message back to your colleagues in Congress and enlist their support in convincing Secretary Dole to reverse this terrible decision. We need your help. Protect our jobs here in the Northwest now and work with our unions and all of our employees to develop Northwest jobs in the future. We still believe honestly that you are here from the Government and you are here to help. Thank you very much.

Senator Adams. Thank you, Mr. Lindsay. We are going to have a little chat over there with her on this.

Mr. Lindsay. I appreciate it.

Senator Adams. That case has gone on for ever and ever. And I appreciate and understand very well your circumstances in that. Your printed statement is entered in the record.

[The prepared statement of Mr. Lindsay follows:]

Testimony of Jamie Lindsay Speaking for Northwest Employees of United Airlines before Senators Simon and Adams July 27, 1987

Senator Simon and Senator Adams I appreciate the opportunity to address you here today. My name is Jamie Lindsay and I am Vice Chairman of the United Airlines Master Executive Council of the Airline Pilots Association. However, today I am speaking on behalf of the 2500 United Airlines employees who live and work here in the Seattle-Tacoma area. As a union representative and a pilot I applaud your efforts to develop a comprehensive Bill which will work aggressively towards our too long delayed objective of full and meaningful employment for all Americans and I appreciate your working with the representatives of organized labor who are striving to save the middle class of our country which they helped create. We are committed to working with you.

Today, however, there is something that you can do to help protect our jobs and the economy of the Northwest, now.

Last month an administrative law judge from the D.O.T. stripped United Airlines of its route authority to fly between Seattle and Tokyo, and plans to replace our airline with Continental Airlines. Should Secretary of Transportation Elizabeth Dole allow this decision to stand, not only will our airline be hurt, but the economy of the Northwest, local jobs, families and communities all stand to suffer.

United Airlines began serving the Northwest in 1926. We have a $93 million payroll here, we have leases at SEA-TAC Airport through the year 2001, we employ numerous minority vendors, we carry 13% of all traffic locally and we plan to build a $22 million hangar soon.

For 16 years United pressed the government of Japan to allow us to serve the Seattle/Portland-Tokyo route. Finally we began service in April 1983. Thanks to the hard work of our employees this route has grown to profitability as the traveling public has demanded and we have provided excellent service on this highly competitive route.

In 1985 United purchased Pan American's Pacific routes. The D.O.T. was concerned that competition across the Pacific might suffer so they set up a review. Since 1985 Delta has begun service between Portland and Tokyo replacing United and American has been awarded Dallas-Tokyo service. Competition has never been stronger. Continental already serves Tokyo through Micronesia. Ignoring these facts and admitting that United provided travelers superior beyond-Tokyo service. Acknowledging that Continental's claim that they will lower air fares was false because the Japanese government regulates fares on the international route. Acknowledging that the Japanese government has turned down United's request for fare reductions of 35% three times the Judge made this onerous decision and retired two days later.

Now the people of the Seattle area are left with Continental an industry *leader. A leader in passenger complaints* easily three times higher than the rest of the industry. The industry leader in fines for safety violations, over $10 million so far. The industry leader in fines for consumer fraud and deceptive consumer practices: $2.5 million "plea bargained" down to $250,000. All of these fines were levied by the same D.O.T. that is awarding Continental our route. It terrifies us to imagine that United employees will have to do wrong to merit getting our route back from the D.O.T.!

As expected Continental management has started to promise the moon to the people of Seattle. They promise wonderful service and blame their recent problems on expansion. What makes them believe they can expand into the Pacific without disrupting travelers? The man who made those promises was fired from the Presidency of Continental the day after the promises appeared in the paper. Texas Air, the parent company of Continental Airlines, doesn't treat its employees any better than its passengers, crew, presidents. Texas Air Corporation's President, Frank Lorenzo, is now running the troubled airline. The same Lorenzo that eight years ago closed Continental's Seattle employee base and abandoned the Northwest promises that he will serve the area. The same man who promised the California legislature that if they blocked an employee buyout of his airline, he would never leave Los Angeles. With legislation in hand Lorenzo moved the operation to Texas. His promises make as much sense as the government wanting him to serve the Northwest to Japan.

For this airline our government is willing to uproot United families who have an average of nearly 20 years with Untied here in the Northwest. In spite of overwhelming community support, unanimous Congressional support from the Washington delegation, in spite of Mayoral and business support and in spite of thousands of signatures from citizens who are signing petitions daily requesting the government listen to the people's wishes and keep UNited here at home - in spite of all of this we face losing much.

Clearly the community will lose, clearly the economy will lose, clearly our people who give so much of their time and lives back to the community will lose, clearly passengers will lose, and ultimately Continental will lose. Faced with incredible competition from foreign carriers subsidized by their governments, Continental will lose passengers to superior service. Passengers will flock to these airlnes; passengers that United had earned through quality service will return to fly on foreign wings and U.S. dollars will leave our skies once again at the expense of American workers.

The management of Japan Airlines must be giggling all day faced with this gift of having to compete with Continental on the basis of service and reliability.

This travesty must be corrected. You are our last, best chance. We believe in the system. We believe that people can make a difference. The people of the Northwest are speaking loudly. We need you to take our message back to your colleagues in Congress and enlist their support in convincing Secretary Dole to reverse this terrible decision. We need your help. Protect jobs now and work with us to develop jobs in the future. We still believe that you are from the government and you are here to help.

Thank You!

Senator **Adams**. I have just three or four questions. Mr. Turner, how much help was advance notification by ASARCO in alleviating that plant closure in Tacoma?

Mr. **Turner**. It was a tremendous help, Senator, because it allowed us and the local Economic Development Council, the Private Industry Council, members of United Way, members of the respective unions that worked in that plant, and plant management itself, to sit down at the table and lay out a plan that would put us in a position to help these men and women return to other work in other industries in the Tacoma-Pierce County area. So, it was invaluable, that advance notification. It really was.

Senator **Adams**. We are trying to put that together. I have the same feeling about that; that in order to have an emergency response, you have got to have some time in which to deal, particularly with a closure of that significance and size.

Mr. Kerwein, I was fascinated by your comments on the sales aspect. What have you found in terms of quality control, and has that been a problem in your activities in uniting the purchasing agents and the potential suppliers?

Mr. **Kerwein**. The problem that I see is that people are not aware of the quality that we produce in our State, nor do we promote the quality that we produce in our State. There is a learning experience that has to go on between the purchasing agent and the manufacturer. We are helpful because we have done a screening process. I guess we are putting our corporation's name on the stake, so to speak, by saying we have screened this company. We have looked at it, and here is the information about the company. Make your decision based on that.

The quality is there, Senator. I think it is a matter of all of us getting the word out that Washington State does produce quality products.

Senator **Adams**. The feeling that I have had always has been that if you have a local supplier or somebody you can reach rather quickly, you can discuss quality problems much easier than if you get that thing in the box, that you have a very difficult time trying to find somebody, ~~as~~ opposed to walking either down the street, as you have done, get into your car and drive and actually see the plant.

Mr. **Kerwein**. That is true. There is a number of companies that are purchasing from the same company even though they are paying three times the price. We have bought from this company for 20 years. Little do they know that they are paying three times the rate because the purchasing agent has not done the job in getting three or four quotes. In many cases we are amazed to find out they do not get several quotes, even when they are buying a new product for a new line. So, again I think it goes back to marketplace, that our industries have to be more aggressive and market their products better.

Senator **Adams**. Has that been your experience, Ms. Probst?

Ms. **Probst**. Yes. It is definitely a problem when somebody is buying a product and, depending on the size of the company, it is the owner many times when it is a very small business and they do not have time because they are making the product. So, they will use a catalog or a telephone book and they will just do it the fastest way they can. Maybe the first person that comes in the door that is trying to sell that item.

And businesses that are buying product, sometimes purchasing agents have a vested interested in keeping a supplier for 20 years because they get trips to Hawaii or other benefits out of it. And they do not have necessarily an interest in economic development or trying to find the best price for the product that is needed for the company. There is a lot of lack of information in the marketplace that we can see and room to be able to tighten up. It is the last horizon, I think, in the business community for really making healthy businesses, by looking at that particular area of purchasing and marketing.

Senator **Adams**. Thank you. Mr. Dracobly, I noticed in your testimony that Willapa Bay's production, at least the fish is down a half to a third of its historic levels. To what do you attribute that decline? Just a reduction in stock?

Mr. **Dracobly**. You are talking about oysters?

Senator **Adams**. Yes.

Mr. **Dracobly**. A lot of it has been attributed to go shrimp, which has put a lot of tide beds out of production. We have had a restriction on the use of seven for many reasons. And if we could increase the use of seven, I amsure that we could increase the number of beds. The bay will handle a lot more production.

Senator **Adams**. The reason I asked that is because I spent a bit of time in the bay in the last year, and the whole thing has been decimated for a whole series of reasons, one of which has been the change in temperature of the current. Have your efforts been able to overcome what has become a natural phenomenon there?

Mr. **Dracobly**. No.

Senator **Adams**. You still are affected by it the same way?

Mr. **Dracobly**. I believe so.

Senator **Adams**. Thank you all very much. We appreciate your testimony, and it was excellent and very helpful.

[Additional material supplied for the record follows:]

WASHINGTON
AGRICULTURAL STATISTICS
SERVICE
U.S Dept. of Agriculture
Washington State Dept. of Agriculture

Farm Finance Survey

Released: September 3, 1986

Financial Characteristics of
Washington Farms and Ranches
January 1, 1986

During the past few years, lower farm commodity exports and lower prices have placed Washington farmers in an increasingly difficult financial condition. In the last two years, declining farm values for farmland have taken an additional toll on farm businesses.

This report presents the latest information on the financial characteristics of Washington farmers and ranchers. Data for this report were obtained from the 1985 Farm Costs and Return Survey conducted in March, 1986 by the Washington Agricultural Statistics Service as part of a nationwide survey carried out by the National Agricultural Statistics Service. Summarization and analysis of the national survey was done by USDA's Economic Research Service.

One measure of financial status is the ratio of debt to assets. This broad measure for all Washington farms stood at 24.2 percent on January 1, 1986, compared to 21.9 percent a year earlier. Debt-to-asset ratios for Washington farm operators were about 16 percent in the late 1970s, rose above 20 percent in 1983, and continually worsened. Washington's current farm debt/asset ratio of 24 percent compares with the national average of 22 percent but is well below the Corn Belt states at 29 percent and the Northern Plains states at 32 percent.

Debt-to-asset ratio by sales class shows generally that farms with large sales value tend to have higher debt ratios. Farms with sales of over $250,000 per year had debt ratios exceeding 30 percent compared to 13 percent for farms in the sales class of $10,000 or less.

Debt-to-asset ratios by type of farm indicate cash grain farmers have the highest debt ratio at 34 percent. Farms in this group also show the greatest deterioration as debt ratio jumped sharply from 20 percent last year. Dairy farmers had the second highest ratio of 27 percent -- a substantial improvement from 34 percent the previous year.

Other highlights from debt/asset ratio comparisons show younger farmers under 34 years of age have debt ratios of 37 percent and those 65 years or older have the lowest debt ratios of 11 percent.

The distribution of farms by debt-to-asset ratio shows 41.0 percent of survey total farms in Washington had no debt on January 1,1986 compared to 39.5 percent at the national level. Washington farms with debt-to-asset ratios between .01 and .40 at 39.1 percent was at about the same level as the national average. In 1986, about 19.9 percent of Washington farms surveyed had debt/asset ratios of .41 and above compared to the national average of 21.3 percent in this group. Compared to a year ago, the number of farms with debt/asset ratios of .41 and above increased nationally and to a greater degree in Washington as well. Farmers and ranchers with debt/asset ratios of .41 and greater coupled with negative cash flow face serious difficulty from the perspective of current earnings and are at considerable risk because of highly leveraged or insolvent positions. Even those in this group with positive cash flow are vulnerable to business changes which could shift them into a situation where they could not meet cash commitments.

The balance sheet for the average Washington farm shows farm assets of $375,470 and farm debt of $90,980 for an average net worth of $284,490. Farm land and buildings made up 69 percent of all assets held by Washington farmers and ranchers. Other detail of the Washington State farm balance sheet shows that about 20 percent of survey farms have debt/asset ratio greater than .41 and carry about 65 percent of all farm debt. These same farms possess about 24 percent of all assets.

The Washington cash flow statement indicates that the average survey farm had crop and livestock sales of $108,658 and a gross cash farm income of $120,491. However, net cash income after operating expenses, principal and interest payments amounted to only $14,997. Some 55 percent of survey farms had negative cash income after payment of these expenses. Many farm families make ends meet with non-farm income from other jobs or investments held by themselves or family members. After adding non-farm income and subtracting an average family living expense of $15,400, the average household cash balance was $26,120. About 30 percent of Washington farms and ranches in this survey had a negative household cash balance in 1985. For the United States, nearly 45 percent of all survey farms had a negative household cash balance.

The Farm Costs and Return Survey, from which data for this report were obtained, is a multiframe, complex, probability-based survey.

To qualify as a farm for the FCRS, an operation must have sold or purchased at least $1,000 worth of agricultural products or inputs for agricultural production, respectively. In contrast, the official USDA number of farms and the Census of Agriculture define a farm as any place from which $1,000 or more of agricultural products were sold or normally would have been sold.

Thus, farm counts and averages in this report reflect those farms and ranches generally considered to be commercial-size units.

Lloyd P. Garrett
State Statistician

FARM COSTS AND RETURNS SURVEY, DEBT/ASSET RATIO
WASHINGTON, 1985 AND 1986

CATEGORY	1986 ASSETS	1986 DEBTS	DEBT/ASSET RATIO 1986	DEBT/ASSET RATIO 1985
	000 DOLLARS		PERCENT	
Type of Ownership				
Corporation	1,002	212	21	23
Partnership	605	172	28	26
Individual	311	74	23	21
Operator Age				
Under 34	330	125	37	NA
35 - 44	435	145	33	NA
44 - 54	421	97	23	NA
55 - 64	312	54	17	NA
65 +	365	40	11	NA
Operator Occupation				
Farming	482	130	26	NA
Hired Manager	1,512	266	17	NA
Other	183	32	17	NA
Type of Farm				
Cash Grain	615	211	34	20
Veg, Fruit, Nuts	406	98	24	NA
Other Crops	368	83	22	NA
Beef, Hogs, Sheep	221	20	9	NA
Dairy	585	160	27	34
Sales Class				
$500,000 +	1,857	561	30	35
$250,000 - 499,999	821	280	34	29
$100,000 - 249,999	474	113	23	23
$ 40,000 - 99,999	257	37	14	16
$ 10,000 - 39,999	213	32	15	15
$ 9,999 or less	170	23	13	9
STATE TOTALS	375	91	24.2	21.9

NA - Classification not comparable or not available in 1985.

DISTRIBUTION OF FARMS BY REGION AND DEBT/ASSET RATIO
JANUARY 1, 1986 1/

REGION	DEBT/ASSET RATIO NO DEBT JAN. 1, 1986 2/	 BETWEEN 0 AND 0.40 JAN. 1, 1986 2/	 0.41 TO 0.70 JAN. 1, 1985	 JAN. 1, 1986
	PERCENT OF CLASS			
NORTHEAST	44.1	41.9	8.7	9.3
LAKE STATES	29.0	38.2	15.8	19.1
CORN BELT	35.6	38.1	14.6	15.6
NORTHERN PLAINS	22.9	43.9	16.3	17.6
APPALACHIA	58.2	32.4	7.2	6.7
SOUTHEAST	45.8	38.3	7.4	9.8
DELTA STATES	49.9	33.6	10.9	7.7
SOUTHERN PLAINS	40.0	44.7	5.9	9.0
MOUNTAIN STATES	33.6	42.6	15.5	16.0
PACIFIC STATES 3/	42.4	41.1	10.8	10.5
WASHINGTON	41.0	39.1	9.0	13.8
ALL	39.5	39.2	11.6	12.7

REGION	DEBT/ASSET RATIO 0.71 TO 1.0 JAN. 1, 1985	 JAN. 1, 1986	 OVER 1.0 JAN. 1, 1985	 JAN. 1, 1986
	PERCENT OF CLASS			
NORTHEAST	2.3	3.3	3.0	1.4
LAKE STATES	6.5	7.3	3.3	6.4
CORN BELT	6.2	5.6	3.9	5.1
NORTHERN PLAINS	6.5	8.8	4.0	6.8
APPALACHIA	1.3	1.1	1.0	1.5
SOUTHEAST	2.7	3.4	3.1	2.6
DELTA STATES	2.8	3.0	4.1	5.8
SOUTHERN PLAINS	3.4	3.2	2.1	3.0
MOUNTAIN STATES	4.1	4.9	2.5	2.9
PACIFIC STATES 3/	2.8	4.0	3.2	2.1
WASHINGTON	7.7 4/	6.1 4/		
ALL	4.3	4.6	3.0	4.0

1/ Numbers may not add due to rounding. 2/ Comparable data not available in 1985.

3/ Includes Washington. 4/ For Washington, class percent is for debt/asset ratio of .71 and over.

BALANCE SHEET - JANUARY 1, 1986

	WASHINGTON	PACIFIC REGION	UNITED STATES
NO. FARMS POPULATION (THOU.)	28	115	1,551
	DOLLARS PER FARM		
FARM ASSETS	375,470	491,999	325,087
FARM DEBT	90,980	101,959	73,124
NET WORTH	284,490	390,040	251,963
DEBT/ASSET RATIO	.24	.21	.22

WASHINGTON STATE BALANCE SHEET - JANUARY 1, 1986

	DEBT/ASSET RATIO					
	NO DEBT	.1 - .10	.11 - .40	.41 - .70	.71 AND OVER	ALL FARMS
NO. FARMS POPULATION	11,535	3,519	7,489	3,872	1,722	28,136
% OF ALL FARMS	40.99%	12.50 %	26.61 %	13.76 %	6.12 %	100.00 %
FARM ASSETS	272,981	410,598	455,213	525,313	306,457	375,470
FARM DEBT	0	17,683	112,090	291,888	306,702	90,980
NET WORTH	272,981	392,915	343,123	233,425	-245	284,490
DEBT/ASSET RATIO	.00	.04	.24	.55	1.00	.24 %
DEBT AS % OF ALL DEBT	.00%	2.43 %	32.79 %	44.15 %	20.62 %	100.00 %
ASSETS AS % OF ALL ASSETS	29.80%	13.67 %	32.26 %	19.25 %	4.99 %	100.00 %

CASH FLOW STATEMENT, ALL FARMS, 1985	WASHINGTON	UNITED STATES
	DOLLARS PER FARM	
CROP AND LIVESTOCK SALES	108,658	68,333
TOTAL OTHER FARM INCOME	11,833	12,905
GROSS CASH FARM INCOME	120,491	81,239
OPERATING EXPENSES BEFORE INTEREST	88,616	59,664
NET CASH INCOME BEFORE INTEREST	31,875	21,595
% OF FARMS WITH NEGATIVE CASH MARGIN BEFORE INTEREST	44.97	41.33
TOTAL INTEREST EXPENSES	11,215	8,116
NET CASH INCOME AFTER INTEREST	20,660	13,479
% OF FARMS WITH NEGATIVE CASH INCOME AFTER INTEREST	53.10	48.33
PRINCIPAL REPAYMENT	5,664	4,598
NET CASH INCOME AFTER INTEREST & PRINCIPAL	14,997	8,881
% OF FARMS WITH NEGATIVE CASH INCOME AFTER INTEREST & PRINCIPAL	54.95	52.71
NON FARM INCOME	26,523	22,757
FAMILY LIVING EXPENSES	15,400	15,400
HOUSEHOLD CASH BALANCE	26,120	16,238
% OF FARMS WITH NEGATIVE HOUSEHOLD CASH BALANCE	29.62	44.65

	DEBT/ASSET RATIO					
WASHINGTON CASH FLOW STATEMENT, ALL FARMS, 1985	NO DEBT	.1-.10	.11-.40	.41-.70	.71 AND OVER	ALL FARMS
	DOLLARS PER FARM					
CROP & LVSTK SALES	81,550	74,483	125,892	162,611	163,828	108,658
TOTAL OTHER FARM INCOME	3,372	16,409	11,574	23,859	33,242	11,833
GROSS CASH FARM INCOME	84,923	90,893	137,465	186,470	197,069	120,491
OPERATING EXPS BEF INT	65,691	62,965	102,460	121,735	159,940	88,616
NET CASH INCOME BEF INT	19,231	27,927	35,005	64,735	37,129	31,875
% OF FARMS WITH NEG CASH INCOME BEFORE INTEREST	57.12	40.13	45.33	22.71	22.02	44.97
TOTAL INTEREST EXPENSES	997	4,145	14,751	33,831	27,878	11,215
NET CASH INCOME AFT INT	18,235	23,782	20,254	30,904	9,251	20,660
% OF FARMS WITH NEG CASH INCOME AFTER INTEREST	57.17	40.27	60.20	33.45	65.42	53.10
PRINCIPAL REPAYMENT	0	1,095	6,736	18,582	19,234	5,664
NET CASH INC AFT INT & PRIN	18,235	22,687	13,519	12,323	- 9,983	14,997
% OF FARMS WITH NEG CASH INC INC AFT INT & PRIN	57.17	42.07	62.71	38.27	70.20	54.95
NON FARM INCOME	26,606	22,982	31,512	22,006	21,665	26,523
FAMILY LIVING EXPENSES	15,400	15,400	15,400	15,400	15,400	15,400
HOUSEHOLD CASH BALANCE	29,440	30,269	29,630	18,929	- 3,718	26,120
% OF FARMS WITH NEG HSHLD CASH BALANCE	28.86	35.43	27.17	27.98	37.20	29.62

RECEIVED
SENATOR BROCK ADAMS
JUL 24 1987

C. ALAN PETTIBONE
Director

STATE OF WASHINGTON
DEPARTMENT OF AGRICULTURE
406 General Administration Bldg. AX-41 • Olympia, Washington 98504-0641 • (206) 753-5063

TESTIMONY

BY

C. ALAN PETTIBONE

DIRECTOR OF AGRICULTURE

STATE OF WASHINGTON

BEFORE THE

U.S. SENATE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

MONDAY, JULY 27, 1987

SEATTLE, WASHINGTON

Good morning, committee members of the Senate, Ladies and Gentlemen...I'm Alan Pettibone, Director of the Washington State Department of Agriculture.

It's a pleasure to address the Committee on Labor and Human Resources. I hope that my comments will be helpful in your deliberations.

As we entertain a multitude of issues and attendant difficulties facing the agricultural sector in Washington state, we find that our problems are in no sense unique in collective comparison with the United States agriculture. The crisis is a true dilemma.

We generally view a crisis in terms of shortages as opposed to a crisis of surplus. When we consider all the facets that affect the farm economy in the state and the nation, it can be condensed to a single issue of competitiveness.

Agriculture, like other industries, competes for resources, whether they be human, monetary, or natural, while at the same time, they are competing for markets which are local, national, and worldwide. The integration of the global economy and interdependence of the food and agricultural system is resulting in long-term, dramatic structural and economic change. These changes clearly appear to be fundamental in nature, and permanent, rather than transitory. How we manage these changes, or conversely, fail to manage them, will influence the very well-being of U.S. agriculture for the decades to come.

The decisions will have profound impact on the role that U.S. food and agriculture will play in our domestic and international economy far into the future. For these reasons, it is essential that everyone involved in the food and agriculture system, from the aspiring student, to the current producer, to marketing entities, and government, have a better understanding of the world environment.

KNOWLEDGE OF THE POLITICAL AND FINANCIAL SYSTEMS, FISCAL CONDITIONS, CULTURES, TRADITIONS, AND DEMOGRAPHICS OF OUR CUSTOMERS AS WELL AS OUR COMPETITORS IS ESSENTIAL IF WE ARE TO EXIST IN A COMPETITIVE WORLD ENVIRONMENT. THE U.S. FARMERS' COMPETITIVE ADVANTAGE LIES IN THEIR PRODUCTIVITY, AND ON THE SYSTEMS THAT ENHANCE THE EFFICIENCY OF THEIR FARM OPERATION.

RESEARCH AND EXTENSION, INSTITUTIONS, MANUFACTURING, DISTRIBUTION AND MARKETING ARE ALL INTEGRAL PARTS OF THE SYSTEM THAT ALLOWS U.S. PRODUCERS TO MOVE PRODUCTS FROM FARM TO CONSUMER AT UNIT COSTS GENERALLY UNATTAINABLE IN OTHER PARTS OF THE WORLD. IN THE LONG TERM, TRENDS WOULD INDICATE THAT A MOVE TOWARD SELF-SUFFICIENCY BY MANY COUNTRIES WILL BECOME LESS ATTRACTIVE WHEN REALIZATION OF THE COSTS BECOME EVIDENT.

EARLIER THIS MONTH, WE REACHED A POINT WHERE THE WORLD POPULATION WAS ESTIMATED TO HAVE REACHED 5 BILLION, AND ADDING ANOTHER 1.5 BILLION PEOPLE, BY THE YEAR 2000. (TO PUT THIS IN CHRONOLOGICAL PERSPECTIVE, WE ARE CLOSER TO THE YEAR 2000 THAN WE ARE TO THE YEAR 1974.) MANY OF THESE INDIVIDUALS WILL RESIDE IN MIDDLE-INCOME COUNTRIES, WITH REASONABLE PROSPECTS FOR ECONOMIC GROWTH.

IT IS, OF COURSE, IMPOSSIBLE TO PREDICT WITH ANY CERTAINTY, THE DIRECTION OF THE WORLD'S FUTURE AGRICULTURE PRODUCTION, OR THIS COUNTRY'S EXACT ROLE IN MEETING THE NEEDS. IT IS, HOWEVER, POSSIBLE TO PREDICT WITH SOME CONFIDENCE THAT MORE FOOD WILL BE NEEDED AND AS LONG AS WE REMAIN COMMITED TO THE PURSUIT OF TECHNOLOGY AND PRODUCTIVITY, WE'LL BE KEY PLAYERS, AND MAKE AN IMPORTANT CONTRIBUTION TO STABILITY, SECURITY, QUALITY OF LIFE AND FOOD SUPPLY OF THIS NATION AND THE REST OF THE WORLD.

THE VEHICLE FOR ACCOMPLISHING THIS IS A STRATEGY FOR U.S. AGRICULTURE TO INVEST ONLY IN THOSE THINGS THAT WILL SIGNIFICANTLY LOWER "PER UNIT COST." THE RELIANCE FOR DOING THAT WILL BE BASED ON OUTPUT INCREASE IN TECHNOLOGY.

IN MY ESTIMATION, THE FUTURE OF AMERICAN AGRICULTURE WILL HINGE ON THE RELATIVE COSTS OF PRODUCING FARM PRODUCTS IN THE UNITED STATES OR THE ABILITY OF OUR COMPETITORS TO DO SO MORE EFFICIENTLY IN THEIR OWN COUNTRIES. WE ARE CLEARLY IN A STATE OF TRANSITION.

HOW WE RESPOND TO NEW CONDITIONS WILL DETERMINE THE EXTENT TO WHICH WE, AS A NATION AND AN INDUSTRY, WILL BE PLAYERS IN THE FUTURE OF INTERNATIONAL TRADE. WE NEED TO OPEN BOTH OUR EYES, AND OUR MINDS, TO THE REALITY THAT OUR ECONOMY IS SUBJECTED TO INTERNATIONAL FORCES BEYOND THE REACH OF PURELY DOMESTIC POLICIES AND IF WE CONTINUE IN THE DIRECTION WE ARE GOING, WE ARE LIABLE TO END UP WHERE WE ARE HEADED. IT WILL REQUIRE THE COLLECTIVE EFFORTS OF THE PRIVATE AND PUBLIC SECTORS, WORKING TOGETHER COOPERATIVELY, TO DESIGN THE BEST STRATEGIES, AND NOT A STRATEGY OF SURVIVAL BUT ONE OF OPPORTUNITY.

IN THIS STATE, A JOINT EFFORT BETWEEN THE WASHINGTON STATE DEPARTMENT OF AGRICULTURE, WASHINGTON STATE UNIVERSITY, AND THE DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT HAS COORDINATED A SERIES OF ACTIVITIES AND PROGRAMS TO IMPLEMENT A COMMON GOAL OF INCREASED TRADE AND AN ENHANCED IMAGE FOR WASHINGTON STATE AGRICULTURE.

THE STATE DEPARTMENT OF AGRICULTURE FOCUSES ON PROMOTION, MARKET DEVELOPMENT AND TRADE INFORMATION; WASHINGTON STATE UNIVERSITY, THROUGH THE INTERNATIONAL MARKETING PROGRAM FOR AGRICULTURAL COMMODITIES AND TRADE (IMPACT) CENTER CONCENTRATES ON RESEARCH AND EDUCATION, WITH EMPHASIS ON AREAS INCLUDING AN UNDERSTANDING OF INTERNATIONAL MARKETS AND THEIR NEEDS, COMMODITY DEVELOPMENT, QUALITY CONTROL, AND THE DEVELOPMENT OF NEW PROCESSING INDUSTRIES; TRADE AND ECONOMIC DEVELOPMENT HAS THE RESPONSIBILITY TO IDENTIFY AND ATTRACT FOOD PROCESSORS AND RELATED CAPITAL INVESTMENT TO WASHINGTON STATE.

IN ADDITION TO THIS, AN ADVISORY COMMITTEE COMPOSED OF THIRTEEN INDUSTRY REPRESENTATIVES SERVES AS A SOUNDING BOARD TO HELP SET PRIORITIES AND GOALS, AND FOCUS ON MAXIMIZING OPPORTUNITIES FOR EXPOSURE OF WASHINGTON AGRICULTURE, AQUACULTURE AND WOOD PRODUCTS INDUSTRIES IN THOSE MARKET AREAS WITH THE MOST POTENTIAL FOR INCREASED DEMAND AND IMPROVED PROFITABILITY. WHILE THIS MAY NOT BE A PANACEA FOR THE PROBLEMS THAT CURRENTLY FACE AGRICULTURE, IT IS A STEP IN THE RIGHT DIRECTION THAT WE FULLY EXPECT TO PAY DIVIDENDS IN THE LONG-TERM HEALTH OF OUR NATURAL RESOURCE ECONOMY. A MORE SIGNIFICANT CONSIDERATION HERE MAY BE THAT IT'S PROACTIVE INSTEAD OF REACTIVE. THIS STATE MADE A DECISION TO COMMIT OUR RESOURCES, AND AGGRESIVELY PURSUE MARKETS IN AN ATTEMPT TO UTILIZE ANY COMPARATIVE ADVANTAGE WE HAVE IN THE PACIFIC RIM, AND ANYWHERE ELSE WE FEEL THERE'S POTENTIAL.

IT IS OUR BELIEF THAT THE GREATEST BENEFITS TO AGRICULTURE WILL ACCRUE THROUGH TECHNOLOGY TRANSFER AND MARKETING ASSISTANCE. THE UNIVERSITY, STATE AND FEDERAL GOVERNMENT, AND THE PRIVATE SECTOR ALL NEED TO PLAY AN ACTIVE ROLE IN THE VIGOROUS PURSUIT OF THESE EFFORTS. THE IMMEDIATE, SHORT-TERM IMPEDIMENTS TO THE HEALTH AND WELFARE OF AGRICULTURE AND RURAL COMMUNITIES LIES IN THE POTENTIAL FOR DOMESTIC PROTECTIONISM, AND THAT SOMEHOW THIS WILL GAIN EQUITY IN THE WORLD'S MARKETS.

THIS IS NOT TO SAY THAT I'M IN OPPOSITION TO IMPORT RESTRICTIONS BASED ON RECIPROCAL RELATIONSHIPS, BUT I AM MOST ADAMANTLY OPPOSED TO PROTECTIONISM WHEN IT'S IMPLEMENTED TO ENHANCE ONE ECONOMIC ENTITY AT THE EXPENSE OF ANOTHER. WASHINGTON STATE IS PARTICULARLY SENSITIVE TO THE PROFOUND IMPACT TRADE HAS ON OUR ECONOMY. WHILE PURELY FREE TRADE MAY NOT BE PRACTICAL, FAIR TRADE SHOULD CERTAINLY BE THE GOAL.

IN THE AREA OF HUMAN RESOURCES, THE IMMIGRATION REFORM AND CONTROL ACT HAS CAUSED SOME UNCERTAINTY TO LABOR AVAILABILITY, IN REGARD TO THIS YEAR'S HARVEST OF WASHINGTON STATE'S FRUIT CROPS. THE FARM GATE VALUE ALONE OF CROPS IN WASHINGTON THAT ARE HARVESTED BY HAND EXCEEDS SIX HUNDRED MILLION DOLLARS PER YEAR, AND AT PEAK HARVEST EMPLOYS OVER 40 THOUSAND WORKERS. THE CONSEQUENCES OF AN INSUFFICIENT LABOR SUPPLY WOULD HAVE A SEVERE IMPACT ON RURAL COMMUNITIES AND A SIGNIFICANT GENERAL IMPACT ON THE STATE OF WASHINGTON. FARM CREDIT IS ANOTHER ISSUE THAT, IF NOT RESOLVED, WILL SERIOUSLY IMPAIR THE ABILITY OF MANY FARMERS TO OBTAIN THE NECESSARY CREDIT AT AFFORDABLE RATES TO CONTINUE THEIR OPERATIONS. BETWEEN 8,000 AND 9,000, FARM BORROWERS IN THE STATE OF WASHINGTON HAVE LOANS OUTSTANDING WITH THE FARM CREDIT SYSTEM.

ACCORDING TO THE FARM CREDIT COUNCIL IN SPOKANE, NEARLY ONE-QUARTER OF THE LOANS MADE BY THE FEDERAL LAND BANK AND PRODUCTION CREDIT ASSOCIATION ARE IN A NON-PERFORMING STATUS. THE REMAINING 75% ARE AFFECTED BECAUSE THEY MUST BE CHARGED A HIGHER INTEREST RATE TO MAKE UP FOR THE LOSSES. AS THE MORE CREDITWORTHY BORROWERS LEAVE THE SYSTEM, THIS CAUSES A MORE PROPORTIONATE INCREASE OF NON-PERFORMING PORTFOLIOS.

I WOULD RECOMMEND THAT CONGRESS CONSIDER SOME SOLUTION TO THE DEMISE OF THE FARM CREDIT SYSTEM. SAVING EVERY FARM, ESPECIALLY THOSE ON THE VERGE OF BANKRUPTCY, MAY NOT BE POSSIBLE, NOR IS NECESSARILY WARRANTED. HOWEVER, THERE IS A NEED TO PROVIDE STABILITY TO THE SYSTEM, IN ORDER THAT FARMERS WHO ARE MAKING PAYMENTS ON THEIR LOANS, AND HAVE A REASONABLE CHANCE OF MAINTAINING THEIR OPERATIONS, ARE NOT TAKEN OUT OF BUSINESS SOLELY BECAUSE OF THE DEMISE OF THE FARM CREDIT SYSTEM.

AT THE STATE LEVEL, WE ARE REFOCUSING AND RECONSIDERING EXISTING PROGRAMS THAT WILL ASSIST TOWARD MEETING THE NEEDS OF THE AGRICULTURAL COMMUNITIES.

A JOINT EFFORT, THIS SPRING, PRODUCED THE FIRST **WASHINGTON FARM AND FAMILY RESOURCE GUIDE**. ITS INTENDED PURPOSE WAS TO ALERT FARMERS AND FAMILIES EXPERIENCING ECONOMIC HARDSHIP TO THE VARIOUS SERVICES AVAILABLE AND THAT WOULD ASSIST THEM IN FINANCIAL MANAGEMENT PROGRAMS, U.S.D.A. COST-SHARE PROGRAMS, AND ALTERNATIVE MARKETING STRATEGIES. IT WAS ALSO RECOGNIZED THAT SOME FARM FAMILIES WILL BE LEAVING AGRICULTURE, AND THEREFORE ALSO OUTLINED RETRAINING AND EDUCATION PROGRAMS AVAILABLE FOR THOSE SEEKING NEW CAREERS AND EMPLOYMENT OPPORTUNITIES. IN THIS RESPECT, THE FEDERAL GUARANTEED JOB OPPORTUNITY ACT, WITH SOME MINOR MODIFICATIONS, AND IN CONJUNCTION WITH THE JOB TRAINING PARTNERSHIP ACT, MAY PROVIDE AN OPPORTUNITY FOR DISPLACED FARMERS.

AN AMENDMENT TO SECTION 8 THAT WOULD ALLOW FOR 8 HOURS PER WEEK OF RELEVANT ACADEMIC, OR VOCATIONAL TRAINING, IN PLACE OF THE JOB SEARCH PROVISION, MAY ENHANCE THEIR OPPORTUNITIES TO FIND MEANINGFUL CAREER EMPLOYMENT AT THE TERMINATION OF THE PROJECT.

IN ADDITION, SINCE I.R.C.A. REQUIRES A GREATER RELIANCE ON DOMESTIC LABOR FOR HARVESTING OF CROPS, SOME CONSIDERATION MIGHT BE WARRANTED THAT WOULD ENHANCE BOTH THE FINANCIAL REWARDS AND OPPORTUNITIES IN THE AGRICULTURAL LABOR SECTOR. ONE AVENUE OF APPROACH WOULD BE TO ALLOW A PORTION OF THE WAGES OFFERED UNDER THE GUARANTEED JOB OPPORTUNITIES ACT TO BE PAID IN ADDITION TO THE PIECE RATE, OR WAGE, PAID BY THE GROWER. IN THE SHORT-TERM, THIS MAY AVERT POTENTIAL LABOR SHORTAGE IN AGRICULTURE, KEEP DOMESTIC FOOD COSTS DOWN, AND IN THE LONG-TERM, DIMINISH OUR DEPENDANCY ON FOREIGN LABOR, AS WELL AS PROVIDE TIME FOR AGRICULTURE TO MAKE THE NECESSARY ADJUSMENTS TO NEW LABOR SUPPLY CONDITIONS.

I APPRECIATE THE OBVIOUS INTEREST AND CONCERN BY YOUR COMMITTEE RELATING TO THESE ISSUES AS WELL AS THE OPPORTUNITY TO EXPRESS MY VIEWS.

WE STAND WILLING TO WORK WITH OUR DELEGATION AND OTHER MEMBERS OF CONGRESS IN RESOLVING THE CURRENT DIFFICULTIES AS WELL AS LOOKING TO OUR FUTURE POTENTIAL.

DR. JOHN N. TERREY
Executive Director

STATE OF WASHINGTON
STATE BOARD FOR COMMUNITY COLLEGE EDUCATION
319 Seventh Avenue FF-11 • Olympia, Washington 98504-3111 • (206) 753-2000 • (SCAN) 234-2000

July 21, 1987

RECEIVED
SENATOR BROCK ADAMS
JUL 22 1987

Mr. Jim Gunsolus
Senator Brock Adams' Office
2988 Jackson Federal Building
915 Second Avenue
Seattle, Washington 98174

SUBJECT: Community College Efforts - Future of Jobs in Washington Hearing - July 27, 1987

Dear Jim:

As we discussed, I am attaching two documents for entry into the hearing record. They are:

1. *"Partners in Productivity"* A publication designed to describe community college services for business, industry and government. Published 1984.
2. *"Washington Community Colleges Contributions to Economic Development"* July, 1984 to January, 1987. This document summarizes seven major categories of programs which served over 27,000 students in training and retraining projects. Over 80% of these programs are funded outside the community college systems state funded regular operating budget.

Earl Hale, the community college system Executive Director is planning on attending the hearing.

If I can be of any further assistance please call me at (206) 753-3674.

Thank you.

Sincerely,

Ronald J. Crossland, Ph.D.
Associate (State) Director

[Editor's Note: Due to printing limitations, the document entitled "Partners in Productivity" was retained in the files of the committee.]

WASHINGTON COMMUNITY COLLEGES
CONTRIBUTIONS TO ECONOMIC DEVELOPMENT

July 1, 1984 through January 31, 1987

	PROJECT CATEGORIES	NO. OF PROJECTS	STUDENTS SERVED
1.	Joint Training Partnership Act (JTPA) Federal funds	49	3,479
2.	Residual activity launched under High Tech & Training program - Senate Bill #3155	2	136
3.	Contractual program with business/industry providing customized job training	54	4,349
4.	Cooperative effort involving college with business/industry	49	5,634
5.	Job Skills Project (JSP) State funds	43	3,709
6.	Small Business Assistance Program Federal funds in cooperation with WSU	67	9,609
7.	Other - Includes Trade Adjustment Act Federal funds through Employment Security	13	590
		----	-------
		277	27,506

REVISED 3-17-87

WASHINGTON COMMUNITY COLLEGES
CONTRIBUTIONS TO ECONOMIC DEVELOPMENT

July 1, 1984 through January 31, 1987

PROJECT CATEGORIES

1. Job Training Partnership Act of 1982 (JTPA) - Federal Funds

   Designed to help prepare economically disadvantaged and long-term unemployed people to become productive labor force members. The private sector has equal responsibility with government in shaping federally funded job training programs. Through chief elected officials and private industry councils (PICs), localities have flexibility to decide how funds will be administered and how programs will be managed. Administered by the Employment Security Department, Title II authorizes funding and sets requirements for local training services for disadvantaged youth and adults. Sixty-eight percent of the Title II funds must be passed to the local Service Delivery Area for programs. Twenty-two percent remains with the state for: state administration - 5%; mature worker programs - 3%; TA-incentive - 6%; state education - 8%. The eight percent state education funds are used for coordinating job training services with state education and training agencies and are administered by the Commission for Vocational Education.

2. Residual Activity Launched Under High Tech and Training Program - State and Private Funds

   Washington High Technology Education and Training Act - SB 3155

   $3,500,000 was appropriated by the 1983 Legislature to establish demonstration programs for training technicians needed by industries most affected by rapid technological change. Four demonstration projects were selected by the State Board for Community College Education. One of the most remarkable results of the project was the generous response by business and industry of matching contributions totaling over two million dollars.

3. Contractual Program with Business/Industry Providing Customized Job Training - Private Funds

   Community college districts contract with a business/industry partner to train students for specific needs, as identified by the company. Training may take place on campus or at the business site and is funded by the business.

4. Cooperative Effort Involving College with Business/Industry State and Private Funds

   College shares training costs with business to train students for specific needs that are generally continuous. Some examples are: apprenticeship programs, specialized training for deaf employees or other special populations, workshops for professional association members.

5. Job Skills Project (JSP)

1983-85	$3 million state funds
1985-87	$2.7 million state funds

Created by 1983 Legislature - administered by the Commission for Vocational Education. Purposes are to (1) promote a productive and expanding economy in the state of Washington; (2) meet specific, identified employment needs of new and expanding business and industry; (3) increase employment opportunities for residents of the state; and (4) encourage the flow of business and industry support to educational institutions. Financial support in the form of grants are awarded eligible educational institutions which enter partnerships with private business and industry to develop or expand specific job skills training. Every dollar of job skills grant money must be matched by at least one dollar value of private sector contribution. Recruitment of trainees is conducted by the employment security department in cooperation with the cooperating educational institution and the participating business(es) or industry(ies). Priority for funding is given programs which (1) serve areas with high concentrations of economically disadvantaged persons and high unemployment; (2) serve areas with new and growing industries; (3) serve areas where there is a shortage of skilled labor to meet job demands; or (4) promote the location of new industry in areas affected by economic dislocation.

6. Small Business Assistance Program - Federal and State Funds
(in cooperation with WSU)

The Small Business Development Center (SBDC) is a state mandated network of business assistance centers. The SBDC provides management development assistance in four principal areas: one-to-one business counseling, training seminars and workshops, small business research, and innovation assessment. The SBDC is funded through a combination of federal and state funds with federal funding coming from the Small Business Administration and the Economic Development Administration. State funding is appropriated through Washington State University (WSU) and the state's participating community colleges. The state is required to match federal funding "dollar for dollar" with a minimum of 50 percent match required in cash. Currently, the SBDC manages 13 business assistance centers. Seven of these centers are subcontracted to the community colleges with 23 community college education centers providing the training seminars and workshops statewide.

CONTRIBUTIONS TO ECONOMIC DEVELOPMENT
JULY 1, 1984 THROUGH JANUARY 31, 1987

CATEGORIES:

__ 1. JTPA project contributing to economic development
__ 2. Residual activity launched under High Tech & Training program
__ 3. Contractual program with business/industry providing customized job training
__ 4. Cooperative effort involving college with business/industry
__ 5. JSP project
__ 6. Small business assistance program
__ 7. Other

CAMPUS	CATEGORY	PROGRAM TITLE	NO. STUDENTS SERVED
PENINSULA	1	Corrections Officer Training Program	26
	3	Paper Products	190
GRAYS HARBOR	1	Women in Transition Training Program	20
	1	Displaced Workers Project	18
	3	Industrial Rigging Training	14
	3	Welding Training Program	23
	3	Management Microcomputer Training	10
	6	Grays Harbor Business Development Center	150
	6	Small Business Training Workshops	200
OLYMPIC	6	Small Business Institute	230
SKAGIT VALLEY	1	Milker Training	17
	1	Marine Technician	16
	1	Woodworker Training	13
	1	Building Maintenance Technician	18
	1	Small Business Resource Center	1,127
	3	PACCAR	8
	• 3	Computer Training - OPALCO	12
	4	Milker Training	15
	4	Apprentice Electricians	30
	4	Agricultural Technology	205
	4	Apprentice Carpenters	120
	5	Plywood Mill Training	60
	5	Sawmill Training	40
	5	Fiberglass Specialty Training	10
	5	Forest Production and Protection	13
	6	Revolving Loan Fund	Varies qt -qtr
	6	Small Business Workshops	1,330
	6	Business Incubator	Planning stage
	6	Local Development Matching Fund	Varies qt -qtr
	6	Farm Management Program	250
	6	Small Business Resource Center	20
EVERETT	1	Food Technology	23
	1	Shipping & Receiving	18
	1	Intro to Aviation Maintenance - Tyee	42
	1	Automotive 188 - Parts Counter Person	12
	1	Clerical Training	70
	1	Automotive - Wrecking Yard Attendant	14
	1	Carpentry -Weatherization/Insulation	18
	1	Applied Technology Training Center	100
	1	Carpentry - Precision Woodworking	15
	3	Quality Control 100 - Tyee Aircraft	58
	3	General Business 180 - Tyee Aircraft	30
	4	Hewlett Packard After Hours Program	77

•REVISED 3-17-87

CONTRIBUTIONS TO ECONOMIC DEVELOPMENT
JULY 1, 1984 THROUGH JANUARY 31, 1987

CATEGORIES:

__ 1. JTPA project contributing to economic development
__ 2. Residual activity launched under High Tech & Training program
__ 3. Contractual program with business/industry providing customized job training
__ 4. Cooperative effort involving college with business/industry
__ 5. JSP project
__ 6. Small business assistance program
__ 7. Other

CAMPUS	CATEGORY	PROGRAM TITLE	NO. STUDENTS SERVED
NORTH SEATTLE	1	Community Health Advocate Training	18
	2	No Puget Sound Consortium for Tech Ed	100
	3	Blueprint Reading	25
	3	Work Experience - Electro-Mechanical Drafting	14
	3	Training Program for Fircrest Employees	60
	3	Basic Skills Competencies	20
	4	Telecommunications Training	80
	4	Public Sector Partnership Planning Grant	Planning stage
	4	Adult Ed "Oral Competencies at Work"	200
	4	Training in Electronics for Deaf Employees	16
	4	Computer-Aided Drafting - Deaf Drafting Employees	12
SEATTLE CENTRAL	1	Project Nino	27
	1	Vocational ESL Program	130
	1	Refugee/Culinary Arts	24
	1	Remedial Education (ESL)	145
	3	Steward Hospitality Training	40
	3	Seattle Indian Center Nursing Assistant Prgm	15
	3	Pilot Program for Customized Training	60
	4	WIN Program	25
	4	Supplemental Funds Program for Co-op Education	300
	4	Retraining Program - Welding & Machine Shop	Planning stage
	4	Sales Personnel Microcomputer Training - PNB	20
	4	Retraining Personnel in Welding	Planning stage
	5	LPN/Rn Project	50
	7	Targeted Assistance/VESL	144
	7	Food Service Training for Training Disabled Adults	21
	7	Change & Direction of Vocational Education	Indirect
SOUTH SEATTLE	1	Women's Employment Network	150
	1	Environmental Services Tech - Work Release	20
	1	Minority Business Development Assistance	144
	1	Steelworkers/Commercial Truck Drivers	150
	3	Quality Control Statistics	32
	3	Blueprint Reading	12
	3	PREP Program - Seattle City Light	47
	3	Blueprint Reading	30
	3	English and Avionics	19
	3	Airframe and powerplant Training (Japan AA)	10
	4	Steel Workers Retraining Project	250
	5	Food Service Computer	280
	5	Environmental Services	60
	6	Vietnamese Business Assistance	30
	6	Small Business Development	30
	7	Airframe & Powerplant Training (Saudi Arabian Air)	45

REVISED 3-17-87

CONTRIBUTIONS TO ECONOMIC DEVELOPMENT
JULY 1, 1984 THROUGH JANUARY 31, 1987

CATEGORIES:

__ 1. JTPA project contributing to economic development
__ 2. Residual activity launched under High Tech & Training program
__ 3. Contractual program with business/industry providing customized job training
__ 4. Cooperative effort involving college with business/industry
__ 5. JSP project
__ 6. Small business assistance program
__ 7. Other

CAMPUS	CATEGORY	PROGRAM TITLE	NO. STUDENTS SERVED
SHORELINE	1	Entry Level Machinist Training	24
	1	CNC Machinist Training	24
	3	Automobile Service Advisors Class	200
	3	Professional Automobile Sales	100
	4	Automotive Technician Training	15
	5	CNC/CAM Training	45
	5	Machinist Training Program	54
	5	Computer Numerical Control Operator	45
	5	Electro-Mechanical Metal Fabricators	60
	5	CNC Precision Metal Fabrication	15
	6	Small Business Training	93
BELLEVUE	3	Courses/Workshops-Eastside Company Employees	120
	4	Courses/Workshops-Specific Needs of Profess. Assoc	200
	4	Courses/Workshops-Update Nursing Professionals	600
	4	Modern Manufacturing Lecture Series	200
	6	Programs for Business	2,500
HIGHLINE	1	Electronics Tech Training/ Project PHOENIX	14
	4	Telecommunications Management Evening Prgm.	100
	6	Small Business Resource Center	100 Mo.
GREEN RIVER	1	Accounting/Bookkeeping	19
	1	Office Education Program	23
		Auburn Area Economic Development Assoc.	New Project
		King County Economic Development Council	New Project
	6	Kent Small Business Development Center	New Project
		Education and Training Center	New Project
PIERCE	3	Ground School Instruction	14
	3	National Guard Informix Training	72
	3	Welding Inspector Certification	26
	3	Real Estate Training Programs	50
	3	Franklin Pierce Staff Development	90
	3	Nalley's Secretarial Refresher Training	4
	4	Adult Children of Alcholics Training	45
	4	Continuing Education for Daycare Providers	25
	4	American Experience: Language & Life in the U.S.	12
	4	Managing Safety & Worker Compensation Claims	75
	4	Continuing Ed - Dental Care Professional	50
	4	Summer Institute - Alchohol & Drug Abuse Treatment	100
	4	Displaced Workers Program	30

REVISED 3-17-87

CONTRIBUTIONS TO ECONOMIC DEVELOPMENT
JULY 1, 1984 THROUGH JANUARY 31, 1987

CATEGORIES:

__ 1. JTPA project contributing to economic development
__ 2. Residual activity launched under High Tech & Training program
__ 3. Contractual program with business/industry providing customized job training
__ 4. Cooperative effort involving college with business/industry
__ 5. JSP project
__ 6. Small business assistance program
__ 7. Other

CAMPUS	CATEGORY	PROGRAM TITLE	NO. STUDENTS SERVED
SO. PUGET SOUND	3	Accounting Courses for Puget Power	30
	3	State Computer Training	1,200
	5	ALADAR	65
	5	Black Hills Community Hospital	75
	5	Nurse Upgrade	17
	6	Business Development Center	150
	6	Small Business Workshops	500
CENTRALIA	1	Workers in Transition	65
	3	P. P. & G. Project	140
	4	Office Assistant Secretarial Training	25
	4	Supervision's Training	89
	4	Coaching Mentoring Course	29
	5	LPN to RN Upgrade Project	20
	6	Managing the Personal Side of Business	37
	6	Peak Performance	198
	6	Competing in the Government Market	23
	6	Stress Management	35
	6	Focus on Survival	24
	6	Sexual Harassment	22
	6	How to Import and Export	18
	6	Supervising People Effectively	25
	6	Adventures in Attitudes	30
	6	Success Through Teamwork	190
	6	Managing Stress	196
	6	Tax Reform	56
	6	Having it All	29
	6	Taking Taking Out Time to Design Your Future	36
	6	Managing Your Life	61
	6	Customer Relations Workshop	29
	6	Employers Workshop	32
	6	Understanding Right to Know	56
	6	Vendor Opportunity Fair	53
LOWER COLUMBIA	1	Customer Services/Cashier (4 sessions)	62
	1	Basic Skills - Bookkeeping	15
	2	Instrument Technology	36
	3	Computer Program: BASIC	16
	3	Statistical Process Control & Management	9
	3	Data Processing: Symphony	14
	4	Small Business Management	44
	4	International Business	22
	4	Trade Readjustment of Dislocated Workers	200
	5	Gardner Forest Products	120
	5	Instrumentation Upgrade - JSP	120
	5	Welding Upgrade - Plumbers	18
	5	Sawmill, Hardwood retraining	130

REVISED 3-17-87

CONTRIBUTIONS TO ECONOMIC DEVELOPMENT
JULY 1, 1984 THROUGH JANUARY 31, 1987

CATEGORIES:

__ 1. JTPA project contributing to economic development
__ 2. Residual activity launched under High Tech & Training program
__ 3. Contractual program with business/industry providing customized job training
__ 4. Cooperative effort involving college with business/industry
__ 5. JSP project
__ 6. Small business assistance program
__ 7. Other

CAMPUS	CATEGORY	PROGRAM TITLE	NO. STUDENTS SERVED
LCC (Cont'd)	6	Marketing & Advertising	7
	6	Small Business Forum	41
	6	Tax Savings for Small Business	55
	6	SW Washington Small Business Incubator	400
	6	Success & Failure Factors	5
	6	Importing: How to, Now!	21
	6	Skills of Supervision & Staff Management	25
	6	Improving Productivity in the Workforce	20
	6	Develop & Implement a Business Plan	25
	6	How Do I Get Customers?	35
	6	Proprietor/Partnerships Seminar	19
	6	Telephone Service	7
	6	How to Start & Operate an In-Home Business	21
	6	Claims Management	16
	6	Tourism Conference/Workshop	180
	6	Women's Conference - New Beginnings	121
	6	Customer Courtesy Seminar	100
	6	Recordkeeping for Small Business	176
	6	Conflict Resolution	117
	6	Quality Circles	13
	7	Exploring Business	45
CLARK COLLEGE	1	Silicon Technology - SEH America	24
	3	Outplacement Program - Alcoa	144
	3	Effective Supervisor - SW Washington Hospitals	50
	3	Seminar series for supervisors - VA Hospitals	90
	3	Blueprint reading - Quality Plastics	39
	3	Instrumentation - Boise Cascade	20
	3	Telecommunications classes - Pacific NW Bell	187
	4	Technical/general classes at Tektronix plant	192
	5	Pre-emply training-American Kotobuki Electronics	120
	5	Pre-emply training-Kyocera Noathwest	212
	5	Superv.Skills/Intercultural Comm. Ft Vanc. Plywood	25
	7	Pre-vocational program - Alcoa	150
	7	Electro-Mech Engineering Tech - Alcoa	25
WENATCHEE VALLEY	1	Non-Traditional Careers for Women	15
	1	Timber Cutting Program	15
	5	Concentrated Juice/Aseptic System Operators	20
	5	Nurses Training in Okanogan County	20
	1 & 6	Small Business Development Center	22
YAKIMA VALLEY	1	Yakima Jail Project	25
	1	Cashier Checker	60
	3	Bilingual Clerical Skills	20
	4	Food Service Worker - Yakima County Jail	25

REVISED 3-17-87

CONTRIBUTIONS TO ECONOMIC DEVELOPMENT
JULY 1, 1984 THROUGH JANUARY 31, 1987

CATEGORIES:

__ 1. JTPA project contributing to economic development
__ 2. Residual activity launched under High Tech & Training program
__ 3. Contractual program with business/industry providing customized job training
__ 4. Cooperative effort involving college with business/industry
__ 5. JSP project
__ 6. Small business assistance program
__ 7. Other

CAMPUS	CATEGORY	PROGRAM TITLE	NO. STUDENTS SERVED
SPOKANE	1	Procurement Training/Small Service Providers	20
	3	Technical Writing - R.A. Hanson	35
	3	Computer Consulting between Spocad & Freeborn Tool	Indirect
	3	Supervisory Training-KeyTronics (W/S on Wheels)	200
	3	Doing Business in Japan	30
	3	Conducting Effective Safety Meeting - Kaiser	40
	4	Cooperative Education	450
	4 & 6	International Trade Workshops/Seminars	250
	5	Implement Production Quality program - CEMI	165
	5	Accra-Fab/Fiverform Tool/Exch Lumber Co.	120
	5	Dairy Farm Milker Training	15
	5	Transformation of American Industry (W/S On Wheels	120
	5	Accra-Fab	45
	5	Computerized Integrated Mfg.-Exchange Lumber & Mfg	40
	6	Small Business Management	36
	6	Small Business Development Center	521
	7	Small Bus. Mgmt. Degree/Certificate	120
BIG BEND CC	4	Sunstrand Data Training	30
	5	Webster Hardware	75
	6	Farm Management Program	40
	6	Business Development Center	300
COLUMBIA BASIN	1	Clerical/Word Processing	15
	3 & 4	Entry Level Training	60
	6	Small Business Development Center	200
WALLA WALLA	3	Computer Training - Corps of Engineers	240
	4	Certified Nursing Assistant Training	12
	6	Small Business Management Program	35
WHATCOM	1	Optometric Assistant Training	15
	4	Business Information & Training Center	New project
	6	Small Business Resource Center	55
	7	Licensed Practical Nurse Upgrade	40
TACOMA	1	Upper Tacoma Renaissance Association	New project
	1	Sheraton Hotel Supervisory Training	New project
	3	Management Training - Frank Russell Co.	40
	3	Statistical Process Control	20
	3	Office Writing Skills	12
	3	Hillhaven Supervision & Management	296
	3	Microcomputer Software Classes	12
	4	DBASE II	20

REVISED 3-17-87

CONTRIBUTIONS TO ECONOMIC DEVELOPMENT
JULY 1, 1984 THROUGH JANUARY 31, 1987

CATEGORIES:

__ 1. JTPA project contributing to economic development
__ 2. Residual activity launched under High Tech & Training program
__ 3. Contractual program with business/industry providing customized job training
__ 4. Cooperative effort involving college with business/industry
__ 5. JSP project
__ 6. Small business assistance program
__ 7. Other

CAMPUS	CATEGORY	PROGRAM TITLE	NO. STUDENTS SERVED
TACOMA (Cont'd)	4	Computer Literacy Training	25
	4	Programming in PASCAL	11
	4	Management Training - City of Tacoma	50
	6	Graduate Realtors Institute	85
EDMONDS	1	Career Pathways	503
	1	Office Admin./Word Processing	32
	1	Correction Specialist	89
	1	Residential Facilities Worker	15
	1	Hotel Training	30
	4	Contracted Coursework	500
	4	Applied Technology Training Center	575
	4	Center for Business & Employment Development	8
	4	Computer Workshop (Software Applications)	275
	5	Electronic Assembler	90
	5	Electronic Manufacturing Tech Retrain. Curriculum	166
	5	Statistical Quality Control	490
	5	Packaging Manufacturing Tech.	25
	5	Micro-Electronic Operators	56
	5	Electronic Manufacturing Assembler	55
	5	Electronic Manufacturing - Honeywell	70
	5	Manufacturing Technician (2 firms)	113
	5	Ultrasound Manufacturing	300
	5	Manufacturing Specialist	40
	5	Electronic Printed Wiring Board Tech.	30
	6	Small Business Development Center	178
TOTAL STUDENTS S	274		27,506

REVISED 3-17-87

Seattle University
FOUNDED 1891

INSTITUTE OF PUBLIC SERVICE
SEATTLE, WASHINGTON 98122
(206) 626-5760

RECEIVED
SENATOR BROCK ADAMS
JUL 23 1987

July 21, 1987

Honorable Brock Adams
United States Senate
2988 Jackson Federal Building
Seattle, WA 98174

Dear Senator Adams:

This letter responds to your correspondence of July 17 announcing a special Congressional hearing in Seattle by the United States Subcommittee on Employment and Productivity. I wish to offer written testimony, and do so by enclosing a copy of the page proofs of my forthcoming book (October) by The Macmillan Press Ltd titled WHY REAGANOMICS AND KEYNESIAN ECONOMICS FAILED. The book is being copublished by St. Martins Press of New York City.

It is my contention that traditional economic theory has failed as a guidepost for plotting a public policy course through the balance of this century. Specifically, I argue that productivity decline and subsequent underemployment is largely rooted in corporate disinvestment. Economic reforms should include negative sanctions against finance-motivated hoarding behaviors. These include a transfer tax described fifty years ago by British economist John Maynard Keynes.

I would be pleased to respond to you or to your staff in any way that I may be helpful in your inquiry into the sources of productivity decline, unemployment and underemployment. Also, since the book is not yet available, please feel free to photocopy these page proofs, should you choose, to distribute to other appropriate members of Congress.

Sincerely,

James E. Sawyer

James E. Sawyer
Associate Professor

enclosure

[Editor's Note: Due to printing limitations, the above-mentioned proofs of the book referred to were retained in the files of the committee.]

Senator **Adams**. This will conclude this field hearing of the subcommittee. We appreciate the attendance of all the witnesses, their testimony, and the statements that have previously been submitted will all become part of the record.

The committee stands adjourned.

[Whereupon, at 1:00 p.m., the Subcommittee was adjourned.]

○